

STATE OF MINNESOTA AND BLUE CROSS AND BLUE SHIELD OF MINNESOTA,  
PLAINTIFFS,  
V.

PHILIP MORRIS, INC., ET. AL.,  
DEFENDANTS.

TRIAL TRANSCRIPT

TRANSCRIPT OF PROCEEDINGS

DOCKET NUMBER:

C1-94-8565

Minnesota District Court, Second Judicial District, Ramsey County.

April 20, 1998

Hon. Judge Kenneth J. Fitzpatrick, Chief Judge

THE CLERK: All rise. Ramsey County District Court is again in session, the Honorable Kenneth J.

Fitzpatrick now presiding. (Jury enters the courtroom.)

THE CLERK: Please be seated.

THE COURT: Good morning.

(Collective "Good morning.")

THE COURT: Counsel.

MR. WEBER: Thank you, Your Honor. Good morning, Mrs. Beasley.

THE WITNESS: Good morning.

MR. WEBER: Good morning, ladies and gentlemen.

(Collective "Good morning.")

THE CLERK: Excuse me, counsel.

(Witness sworn.)

THE CLERK: Please state your name and spell your last name.

THE WITNESS: It's Lynn J. Beasley, B-e-a-s-l-e-y.

THE CLERK: Thank you. Please have a seat. LYNN J. BEASLEY called as a witness, being first duly

sworn, was examined and testified as follows:

By MR. WEBER:

Q. Mrs. Beasley, could you tell us by whom you're employed and where you work.

A. Yes. I'm employed by R. J. Reynolds Tobacco Company in Winston-Salem, North Carolina.

Q. And your job title?

A. I'm executive vice-president of marketing for R. J. Reynolds.

MR. WEBER: Your Honor, could I inquire for a moment? I'm hearing a hair of an echo and I'm not sure if

it's just me or if it's -- Is it just me?

THE COURT: I think it's just you, counsel.

MR. WEBER: I've told you before, my ears are sometimes a little off. Okay.

(Discussion off the record.)

THE COURT: From my perspective, I don't hear any, unless someone else does.

MR. WEBER: All right.

By MR. WEBER:

Q. Have you ever testified in court before for R. J. Reynolds, Mrs. Beasley?

A. No, I have not.

Q. Now how long have you been the executive vice-president of marketing at RJR?

A. Since November of last year.

Q. And what are your responsibilities in that position?

A. I'm responsible for all of the marketing for all of R. J. Reynolds brands, all the advertising and

promotion and packaging for all the brands.

Q. And who do you report to as executive vice-president of marketing?

A. I report to Andy Schindler, who's the president and CEO of the company.

Q. Do you work directly with Mr. Schindler?

A. Yes, I do.

Q. Now before we get into your experience at R. J. Reynolds, could you tell us a little bit about where you

grew up, your family and your siblings.

\*2 A. Sure. I grew up on dairy farm in Wisconsin in a large family, there were nine children, and it was near Richland Center, which is a little, small town, you probably haven't heard of it, but it's about 5,000

people, it's near Madison, Wisconsin.

Q. And where did you go to high school?

A. At Richland Center High School.

Q. And after you graduated from Richland Center High School in Wisconsin, what did you do?

A. While I was in high school I was working as a grocery store clerk, and then when I graduated from high school, a short time after that I took a job in the local factory, it was a sewing factory, sewing clothes, and I worked in the factory for about a year. Before then -- I started -- I actually started night school while I was working in the factory full time, and then after that, then I started college.

Q. Did you get a degree from the local community college?

A. Yes, I did. I went to the local community college in Richland Center, a two-year college, and I got an associate degree there.

Q. And how did you finance your education at the community college?

A. After I had to quit the factory job because -- to go to school, I became a janitor at the local post office, and I worked as a janitor about 32 hours a week. And then the post master said if I took the Civil Service test, I could be a mail carrier, so I took the Civil Service test and I got to be a mail carrier, so I delivered my mail every morning, my mail route, before I went to school during the day.

Q. And after you graduated from the community college, did you continue your education?

A. Yes, I did. Then I transferred to the University of Wisconsin in Madison and went my second two years of my undergraduate program there. And I got my bachelor's degree in business.

Q. And what year was that, Mrs. Beasley?

A. 1981.

Q. Now did there come a time before you graduated where you were thinking about going on to graduate school?

A. Well no, I wasn't really thinking of going to graduate school because I didn't have the money for it. But a marketing professor at the University of Wisconsin asked me if I was going to go on to graduate school, and I said no, I didn't have the money, and he said well if you had the money would you go, and I said well sure. And he -- he came back to me about two weeks later and offered me a fellowship from the University of Wisconsin where they pay for the tuition and living expenses. So I was able to go to graduate school, and I got my master's in business administration in marketing from the University of Wisconsin.

Q. And what year was that that you got your M.B.A.?

A. That would be 1982.

Q. Have any of your siblings also chosen marketing as a career?

MR. CIRESI: Your Honor, it's really irrelevant.

MR. WEBER: Just background, Your Honor.

THE COURT: Well we've -- I'm not sure how interested we are in her whole family history.

MR. WEBER: Okay.

By MR. WEBER:

Q. Could you tell us about your family now. Are you married, Mrs. Beasley?

\*3 A. Yes, I am.

Q. Any children?

A. Two stepchildren.

Q. Now after graduating with your M.B.A. in 1982, did you go directly into a job?

A. Yes, I did. I began working for R. J. Reynolds Tobacco Company.

Q. Now -- And that was in 1982?

A. Yes, in July of 1982.

Q. Now how did someone from Richland Center, Wisconsin, end up at R. J. Reynolds in North Carolina?

A. Well R. J. Reynolds was -- came to Wisconsin, the campus, and interviewed on campus, as did a lot of companies. And I interviewed with a lot of companies, and General Mills had made me an offer and I was planning to go to work for General Mills. It was like March. And R. J. Reynolds called me and said, you know, would you like to fly to North Carolina for an interview with people at the company all day long, and it was pretty cold here, and so I thought - and I had never been to the South, so I thought it would be fun to go to North Carolina and interview for the day. And so I went for the day. And I didn't really expect to go there, but once I got there, I was really pleased because the people were so nice and I felt like I would really fit in there. And my ingoing impression was like: a cigarette company. And -- but when I got there, the company explained to me the philosophies on how they market cigarettes and how they view them, and I felt good about it. And I came back home and I talked to my parents and the marketing professors, and I ultimately made the decision to go with R. J. Reynolds.

Q. Now you've been at R. J. Reynolds for almost 16 years?

A. Yes, almost. Sixteen years in July.

Q. And have you worked in marketing that entire period of time?

A. Yes, the whole time.

Q. What was your first job on arrival at R. J. Reynolds?

A. I was marketing assistant on the Now brand.

Q. And can you explain to the ladies and gentlemen of the jury what's a marketing assistant and what's the Now brand.

A. The Now brand of cigarettes is one of the lowest tar brands on the marketplace, it has really low tar, and what I did as a marketing assistant, because I was like the most junior person, I primarily did the budget, I worked on the budget and approved production estimates, you know, like when the agency produced something, I would approve how much it cost. And then I was, you know, basically learning. I went to focus groups for advertising development and met with the agency and that sort of thing, you know, learning the job.

Q. Did you then transfer to another job as a marketing assistant for a different brand?

A. Yes, I did.

Q. And what brand was that?

A. Salem. Then I transferred to the Salem brand as a marketing assistant for Salem.

Q. Same type of job experience?

A. Yeah. I was responsible for a little bit different things. Like on Salem I was involved with selecting the media that we advertise in and the media plans, but also production estimates and budgets again and -- and still learning about development.

\*4 Q. Were you then promoted to an assistant brand manager for the More brand?

A. Yes, I was, for the More brand.

Q. Can you just describe briefly what the More cigarette is and what your job duties were as assistant brand manager.

A. Sure. On the More brand, it's a cigarette that is a long, brown cigarette -- it has some beige line extensions, but the main style is brown -- and as an assistant brand manager I'm more - - I worked a lot in the advertising and the packaging and the promotions for the brand.

Q. Now in October 1984, did you move from the More brand to a position as assistant brand manager for

Camel?

A. Yes, I did.

Q. And what was your particular responsibility as assistant brand manager for Camel?

A. When I was assistant brand manager on Camel, I was responsible for promotion development, things like sweepstakes where you can enter a sweepstakes and win something, and FSI promotions, which -- you know when you get your Sunday newspaper and you open it up and a bunch of coupons fall out, that's an FSI promotion. And some retail promotions

Q. Now is there a difference between promotion and advertising?

A. Well yeah. The way we think about it is advertising is like paid media that you place, so it would be magazines and newspapers and billboards, that's advertising, and then promotion is things you do that provide an incentive for a competitive smoker to try the brand, so it might be a coupon, it might be a sweepstakes, it might be a buy-two-get-one-free in the store, but it's some more incentive rather than just an

ad that has a message. It not only has a message, it has some other offer with it.

Q. Now are the promotion and the marketing -- strike that. Are the promotion and the advertising functions both in the marketing department at R. J. Reynolds?

A. Yes.

Q. When you were at Camel in 1984, what ad campaign was Camel using at that time?

A. It was the Bob Beck campaign. We called it the Bob Beck campaign because the name of the guy in the ad is Bob Beck. He was a guy with curly blonde hair.

Q. Can you turn to tab one in your binder, which is Exhibit ASP000023.

A. I'm sorry, what tab did you say?

Q. Tab one, ma'am.

A. Okay.

Q. And let me ask you if you can identify that as an ad from the Bob Beck campaign.

A. Yes, it was.

MR. WEBER: Your Honor, I'd move the admission of ASP000023.

MR. CIRESI: No objection, Your Honor.

THE COURT: Court will receive ASP000023.

By MR. WEBER:

Q. Now if you'd look at the monitor in front of you there, Mrs. Beasley, as well, just to confirm, that's the ad we've just been talking about?

A. Yes.

Q. And I take it that's the curly-headed guy you were referring to?

A. Yes.

Q. Now is that a representative example of that campaign's ads?

A. Yes. Well this is actually a promotion ad.

Q. All right. Now how long had that campaign been in place as of the time you went to Camel in 1984?

A. Approximately since the late '70s, early '80s.

\*5 Q. And how was this campaign perceived in the marketing department by the Reynolds employees?

MR. CIRESI: Objection, Your Honor, that calls for hearsay.

THE COURT: Oh, you can answer that.

A. Yes. When I was on the Camel brand then, the campaign was perceived as having problems because this guy in the ad, he was seen as kind of a loner, and smokers were seeing the campaign as kind of a -- hate to say it -- bad imitation of Marlboro, that -- you know, that it was -- it just wasn't very compelling and motivating to particularly younger adult smokers.

Q. Now were there other ideas under consideration at that time to supplement the Bob Beck campaign?

A. Yes. They weren't really thinking at that time about replacing the campaign, but just supplementing it,

having two campaigns run at the same time.

Q. Can you turn to tab two. That's a document already in evidence, Exhibit 12811.

A. Yes.

Q. And is this a marketing research report dated February 1, 1985 related to "CAMEL YOUNGER

ADULT SMOKER FOCUS GROUPS?"

A. Yes, it is.

Q. And does this memo report on focus group reaction to a variety of potential supplementary ad campaigns?

A. Yes, it does.

Q. And, you know, included within that are campaigns such as -- if you turn to the Bates numbered page 5739 --

A. Yes.

Q. -- such as a "Go With It," campaign with the line "Go With It;" "French Camel;" "Welcome to the Oasis;" "Smoke Rings;" and then there were others as well; were there not?

A. Yes.

Q. Such as "Camel, Man," and "I'd Walk a Mile."

A. That's right.

Q. All right. Now were these focus -- what were the -- Did those focus groups include anyone under the age of 18?

A. No.

Q. Now were you involved in running these focus groups at that time?

A. No.

Q. Did you see this memo when you were assistant brand manager for Camel in 1984-1985?

A. No.

Q. When did you first see this memo?

A. I first saw this memo in the last, like, year and a half, in the course of litigation.

Q. Did you ever use this memo, you yourself, as a basis for a business decision for Camel or any other brand?

A. No, I had never seen it.

Q. Now did you later move from assistant brand manager of Camel to a new position as brand manager for a different brand?

A. Yes.

Q. And what brand did you go to then?

A. I went to the Century brand. I became brand manager for Century, and that's a brand of cigarettes that

has 25 cigarettes in a pack instead of 20, but you get them for the price of 20, so it's a value brand. You get

25 cigarettes instead of 20 for the same price.

Q. And while you were brand manager for Century, did you pick up responsibility for other brands, Mrs.

Beasley?

A. Yes, I did.

Q. Can you name some of those.

A. Sure, Doral, Sterling, Magna, which are also all value brands, they're brands that are lower priced than the other brands. So I had -- most of our reduced price brands I had responsibility for.

\*6 Q. And are those value brands you referred to also referred to sometimes as savings brands?

A. Yeah, we call it the savings segment.

Q. What percent of the Reynolds business was in the savings segment when you joined Reynolds in 1982?

A. There -- we didn't -- We didn't have a savings brand then.

Q. And as of 1994, what was the approximate amount of Reynolds business that was in the savings

segment?

A. About 30 percent. We went from about none to about 30 percent in the savings segment.

Q. Now did this change, did this represent a significant change in Reynolds' business on competitive environment?

A. Yes, it was a huge change. Really back in the early '80s price wasn't that much of a factor, most cigarettes were all priced the same, there were just a few black-and-white brands. And then during the '80s, the mid-'80s and then into the '90s, price became a huge factor, and all these brands started being introduced, and we introduced some of them ourselves, too, that had a lower price than the full-priced brands. So all the smokers started switching down because they could get a good brand at a cheaper price.

So it created this intense war over price, this intense competitive war, because the full-priced brands were losing all this business to these new savings brands. So full-priced brands started couponing and discounting like crazy to try and keep smokers from switching down to the other brands. So brands like our Winston, we would send lots of coupons in the mail and do coupons in store to try and keep people from switching down to the savings brand. But over that time period about -- you know, almost a third of the market switched from the full-priced brands down to the reduced-priced brands.

Q. Now in 1987, Mrs. Beasley, did you return to the Camel brand as senior brand manager?

A. Yes, I did.

Q. And what is a senior brand manager?

A. As senior brand manager for Camel in 1987, I was in charge of the entire Camel brand, all of the marketing for Camel. All the advertising, promotions, packaging, everything we did on Camel I was accountable for developing and executing.

Q. Now when you went back to Camel as senior brand manager in 1987, was Camel still using the Bob

Beck campaign that you mentioned earlier and showed to the jury?

A. Yes, it was.

Q. And what was the perception in the marketing department of this ad campaign at that time, in 1987?

A. That we had to get -- get rid of it, we had to drop it, because the campaign just wasn't -- wasn't working. Smokers didn't like it. They thought, you know, it was -- here this guy was a loner and it made Camel seem old and harsh and it was not a good campaign.

Q. Now on becoming brand manager of Camel, did you do research with adult smokers to understand their perceptions of the Camel brand?

A. Yes. When I got to Camel, you know, one of my jobs was to find a new campaign, to replace this campaign that wasn't working. And so the first thing I did is I went and talked to adult Camel smokers that were 18 and older and competitive smokers of other brands that were 18 and older to talk about, you know, what do you like about Camel, what don't you like about Camel, what do you like about Marlboro, what don't you like about Marlboro, so I could come up with ideas of what we could do that would make Camel a more compelling brand.

\*7 Q. And what was your understanding, the understanding that you reached about the perception of the

Camel brand in the marketplace?

A. It was really pretty bad. Most smokers -- not the current Camel smokers, because they like Camel -- but most all the competitive smokers, most all of them thought that Camel either only had non-filter products, you know, product without a filter, because when Camel was originally introduced in 1913, it didn't have a filter, so a lot of smokers still thought it was a brand without a filter, and even if they thought it had a filter, they thought it tasted really bad, it was really strong and harsh, which it wasn't really, but people thought it was, and they also thought it was like their grandfather's brand, you know, out of date, old, not contemporary at all.

Q. Now Mrs. Beasley, I'm going to ask you in some detail later about the Joe Camel campaign, how it came about, how it was executed, but for now I just want to ask: While you were senior brand manager for Camel in 1987 and '88, did you yourself make a decision to replace the Bob Beck campaign with a new campaign for 1988?

A. Yes, I did.

Q. And what was that campaign?

A. It was the Joe Camel 75th birthday campaign.

Q. Now are you aware of how the Joe Camel campaign was conceived and developed and executed?

A. Yes. I did it.

Q. And whose idea was it to create this ad campaign?

A. It was my idea.

Q. And who at R. J. Reynolds is in the best position to provide to the jury information about why this campaign was created and what group it was designed to address?

A. That would be me. I did it.

Q. Now are you aware of who else at RJR played roles in developing this campaign?

A. Yes, I am.

Q. Now the jury's heard a number of names of Reynolds employees over the course of this case, some of them in the context of marketing issues, and I want to ask you, for each one of these persons that I go through, what role, if any, that person played in creating, developing, and executing the Joe Camel campaign. All right?

MR. CIRESI: Your Honor, may we have a time on these questions?

MR. WEBER: At any time in connection with the development/creation of the Joe Camel campaign. All right?

Q. Did Claude Teague play any role?

A. None.

Q. Did Frank Colby play any role?

A. None.

Q. Did Diane Burrows play any role?

A. She did not play a role in the creation or -- or development of the 75th birthday campaign.

Q. Did Charles Tucker?

A. No, he did not. No.

Q. Mr. J. F. Hind?

A. No, none.

Q. Mr. Jerry Long?

A. Jerry Long was head of the company, and so when I did the Joe Camel campaign, I had to take it to him to get it approved. So I presented it to him, so in the sense that he approved it, he played a role. But I mean he wasn't involved in the development of it.

Q. How about Ed Horrigan?

A. Well Ed was Jerry's boss, so once Jerry said okay, then the next thing I had to do was take it to Ed because he was Jerry's boss. And I presented it to him and he approved it. So in Jerry and Ed's case, they approved it, but they hadn't been involved with the development of it.

\*8 Q. Now after serving as senior brand manager for Camel, did you thereafter become director of special markets and then vice-president, strategic marketing planning?

A. Yes.

Q. And then in nineteen eighty -- '91, did you become a vice-president in charge of the Winston brand?

A. Yes.

Q. And what were your responsibilities in that position?

A. When I was in charge of Winston, I was in charge of all the advertising, promotions and everything, all the marketing for the Winston brand.

Q. And was Camel and Salem also added to your portfolio in that position?

A. Right. I started out with just Winston, and then over time I also was given responsibility for Camel, and then I was given responsibility for Salem, and then I was given responsibility for Vantage, More and Now.

Q. And is it true, then, you went from an entry-level position in 1982 to becoming a vice-president of the company in 1991?

A. That's correct.

Q. And you -- I think you already mentioned you arrived in your current position as executive vice-president for marketing in November 1997?

A. Yes, that's correct.

Q. In that position, are there any ads for R. J. Reynolds products that run without your review?

A. No. I now am responsible for all of marketing, so I have to review and approve all the marketing that we do.

Q. How many executive vice-presidents are there at R. J. Reynolds, Mrs. Beasley?

A. There are three. There's the president and CEO of the company, Andy, and then there are three executive vice-presidents, and I'm one of them.

Q. And as executive vice-president, are you a member of the company's executive committee?

A. Yes, I am.

Q. Now are you aware that in this case, plaintiffs had Professor Dolan testify about what he considered to be four primary objectives of cigarette advertising?

A. Yes, I am.

Q. And did you review those objectives?

A. I did.

Q. Now let me ask you some questions, and what I want to ask you is about your understanding of cigarette marketing over your period at R. J. Reynolds and as executive vice-president. Professor Dolan said one objective of cigarette marketing was to get new smokers into the market. Do you remember that?

A. Yes.

Q. During your 16 years in R. J. Reynolds marketing, has getting new smokers into the market or trying to make non-smokers become smokers been an objective of R. J. Reynolds marketing?

A. No, it has never been.

Q. And why not?

A. Because I mean, first of all, it's been the company's policy -- when I interviewed with the company 16 years old, it's one reason I felt good about coming to the company, because they explained to me that the



policy was that they only market to adults and people who have already chosen to smoke.  
MR. CIRESI: Excuse me, Your Honor, I'm going to object to anything that was told her.  
It's hearsay. Move to strike.

MR. WEBER: Your Honor, it's not hearsay in terms of her learning at the company that's what the company's policies were. That's not hearsay. That's a verbal act of the company.

\*9 MR. CIRESI: Move to strike, Your Honor, it's hearsay.

THE COURT: I'll let the answer stand.

A. And -- Gosh, I lost -- I'm sorry, I lost my --

Q. Talking about Professor Dolan's statements about trying to make non- smokers become smokers or getting new smokers into the market, and you were explaining why that wasn't one of the objectives.

A. Right. Okay. I -- right, I got it now. Thanks. So anyway, I -- I felt good about the fact that they specifically said we only market to adults and we only market to current adult smokers. So that has always been our policy, and I've known it to be our policy. And -- but in addition, I don't think it makes sense to use advertising to get people to try and start smoking because advertising isn't why people start smoking.

MR. CIRESI: Excuse me, Your Honor.

A. If the --

MR. CIRESI: I'm going to object to that, calls for an expert opinion. Move to strike.

THE COURT: Sustained.

MR. WEBER: Your Honor, it's her understanding --

THE COURT: Counsel, I've ruled on the objection, please.

MR. WEBER: Okay.

By MR. WEBER:

Q. Can you continue, Mrs. Beasley, or are you finished with your answer?

A. Well I was just going to -- Well, I guess so.

Q. Now Professor Dolan said another objective was to keep people in the market; that is, to keep people from quitting. Do you remember that?

A. Yes.

Q. Has RJR, to your knowledge, had as an objective of its marketing during your 16 years the objective of keeping people from quitting?

A. No, that has not been an objective.

Q. Can you explain why.

A. Again, we are interested -- We don't want to influence the decisions whether someone starts to smoke or quits smoking. Given the product we work with, it has health risks associated with it, and we're not trying to encourage people to start using the product and we're not trying to encourage them to stop using the product. But if an adult chooses to smoke, my job is to try and motivate them to smoke our brand.

Q. Now Professor Dolan said another objective was to induce those who had left the market to come back again, or put alternately, to get quitters to start smoking again. Has that been a goal of RJR marketing during your 16 years, to get people who quit to start again?

A. No. Again, that would be entirely against our policy. And really, that just doesn't make sense to me because there are over 30 million adult smokers who don't choose our brands. I mean it's a huge opportunity for us to switch those people, so I can't imagine why we would want to go after people who don't smoke.

Q. Now Professor Dolan's fourth objective related to the topic you just mentioned. He said the fourth

objective was brand switching; that is, to get other smokers of other companies' products to switch to your company's products, and to defend the smokers who already use your product, to keep them smoking your brand if they wanted to continue to smoke. Has that been an objective of RJR's marketing over your 16 years?

\*10 A. Yes. Since I've been there, that has -- has always been our objective. That is the objective of our marketing.

Q. What percentage of adult smokers smoke R. J. Reynolds brands, Mrs. Beasley?

A. About 25 percent.

Q. And that's of smokers 18 and over?

A. Yes. And that's smokers that claim to smoke our brands as their usual brand.

Q. And that leaves how much of the smoking market that goes to your competitors?

A. Seventy-five percent.

Q. Now is that 75 percent of significance to R. J. Reynolds marketing efforts?

A. Well very significant. That's what -- that's what our marketing efforts are focused on, it's keeping the adult smokers in the 25 percent who choose our brands to keep choosing our brands, and then that 75

percent that don't, which is like over 30 million adult smokers, we're -- our programs are designed to try

and get them to switch into the 25 percent so that we can increase our share.

Q. Is brand switching an issue Reynolds has studied over the years?

A. Yes.

Q. Are there different types of brand switching by smokers?

A. Yes, there are.

Q. Could you explain that.

A. Sure. There is something called a temporary switch, and that's where somebody goes from -- let's say

they're smoking Marlboro, and they smoke Marlboro and they say Marlboro is their regular brand and they

smoke it most of the time. But they walk in the store today and they see Camels sitting on the store shelf

and they say, hmm, think I'll buy Camel today. But they haven't decided to switch away from Marlboro,

they just decided to switch for that day. That's called a temporary switch. And about 30 to 40 percent of all

smokers do temporary switching during the year. And, for example, on the Camel brand, about 20 percent

of Camel's volume or one in every five purchases is that temporary switch; it's someone who walks in that

day and decides to buy Camel that day, maybe because we had a buy-two-get-one-free offer or a coupon, or

they just saw it on display. That's temporary switching.

Q. All right. And is there another form of switching that Reynolds studies?

A. Yes. Then the other kind of switching is usual brand switching, and that's where somebody goes from,

like, smoking Marlboro all the time, who say Marlboro is my brand of cigarettes and I smoke it most of the

time, and then they go to saying, for example, Camel is my brand of cigarettes and I smoke that most of the

time. And that's a usual brand switch. You go from saying my usual brand is this brand to my usual brand

is that brand.

Q. Now can you explain to the ladies and gentlemen of the jury your understanding of brand switching and

the business it represents, percentages that you understand occur?

A. Sure. We study brand switching according to our own switching data that goes over many years. What

we find is that among 18- to 20-year-old adult smokers, about 42 percent switch in a two-year period.

Almost half of 18- to 20-year-old smokers will switch in a two-year timeframe. Among 21- to 24-year-old smokers, about 27 percent will switch in a two-year timeframe. And among 25- to 29-year-olds, about 17 percent switch in a two-year timeframe. So you can see that the switching -- the percent that switch goes down as smokers get older, and that's because you're becoming more brand loyal as you get older.

\*11 And then people over 30 tend to switch for two reasons. There still can be a lot of switching, but it's only if two things are going on, and that's either price, they can get a new price advantage, because older smokers tend to be -- switch more for price, and then also a new product difference. If there's some new product, then smokers over 30 will tend to switch because of the product difference. And, you know, when like almost a third of the market switched from full-priced brands to savings brands, that was skewed heavily toward older smokers because older smokers tend to be brand loyal unless something new comes out that they go, well, this is better, it makes sense, I'm going to switch down to that.

Q. Professor Dolan's four objectives that we talked through, how many apply to what you've seen, observed, and done during your 16 years at Reynolds?

A. The fourth objective only, which is the objective to motivate that 75 percent to switch and motivate the 25 percent to stay with us.

Q. Now have there been discussions in any meetings you've attended in your 16 years at Reynolds regarding efforts to try to persuade non-smokers to become smokers?

A. No.

Q. How about to keep current smokers from quitting?

A. No.

MR. CIRESI: Your Honor, excuse me. This calls for hearsay.

THE COURT: Well --

MR. WEBER: It's business acts of the company, discussions at meetings, Your Honor. I'm not -- I'm

offering it purely for that purpose.

THE COURT: It's hearsay.

By MR. WEBER:

Q. Have you ever received in any meeting or discussion, have you ever received or given a direction that

efforts should be taken in marketing to get quitters to start again?

MR. CIRESI: Objection, hearsay.

THE COURT: No, you can answer that.

A. No, I have never. There has not been any discussion like that.

Q. I want to ask now about some of the rules and principles governing cigarette marketing and advertising

as you understand them, as you've applied them during your time at Reynolds. First, when you joined

Reynolds in 1982, were there warnings on the cigarette packs?

A. Yes.

Q. When did those warnings first go on, Mrs. Beasley?

A. The first warning on cigarette packs was in 1966, and it said that cigarettes may be hazardous --

smoking may be hazardous to your health. And then in 1969 was the first Surgeon General's warning where

it said cigarette smoking is dangerous to your health. And then in 1985 Congress mandated that we change

the warnings to four rotating warning statements.

Q. What is -- Who determines what warnings are carried on the Reynolds packs?

A. That's mandated by federal law.

MR. CIRESI: Excuse me, Your Honor.

A. Congress.

MR. CIRESI: Move to strike that, calls for a legal conclusion.

THE COURT: That answer will be stricken.

By MR. WEBER:

Q. What is your understanding as to Reynolds' position as to who determines the warnings that it puts on its

-- who determines what the content of the warnings is that it puts on its packs?

\*12 MR. CIRESI: Same objection, Your Honor.

THE COURT: Sustained.

By MR. WEBER:

Q. When you joined Reynolds in 1982, Mrs. Beasley, was Reynolds or any other cigarette company

permitted to advertise on TV or radio?

A. No.

Q. And how long had that ban been in place?

A. We've been banned from television, I believe, since 19 -- or approximately 1971.

Q. And when you joined in 1982, did all of Reynolds' advertisements include a required disclosure of FTC

tar and nicotine measurements?

A. Yes.

Q. Now how are those tar and nicotine numbers determined?

A. The Federal Trade Commission of the federal government determines the method we use, mandates we

use that method to test the tar and nicotine on cigarettes, and then requires that we put the measurement we

got in every ad that we ran -- we run. So in every ad we have to put the tar and nicotine of the cigarette

we're advertising based on their mandated method.

Q. Now does R. J. Reynolds choose what test method to use for measuring tar and nicotine?

A. No.

MR. CIRESI: Your Honor -- excuse me. Objection. There's no foundation for this witness to testify on that.

THE COURT: Oh, she can answer that.

Q. Let me ask it again to make sure at least I remember what the question was. Does R. J. Reynolds itself

choose what test method to use for measuring tar and nicotine that it eventually reports in its ads?

A. No. That's mandated by the Federal Trade Commission, and we comply with that.

Q. Now does Reynolds also report to the Federal Trade Commission each year its advertising, marketing

and promotional expenditures as defined by the Federal Trade Commission?

A. Yes, we do.

Q. Do other cigarette manufacturers do so as well?

A. Yes, they do.

Q. Does the FTC compile and publish that data in annual reports?

MR. CIRESI: Your Honor, can we have the witness testify? These are all leading.

MR. WEBER: That's --

THE COURT: Yeah. We're going to have -- you're going to have to get into non-leading questions at about

this stage, counsel.

By MR. WEBER:

Q. Do you know whether or not the FTC compiles and publishes reports based on data cigarette companies submit?

A. Yes. Every year the Federal Trade Commission asks us to submit the marketing and advertising

spending we do, they ask the other companies to do the same thing, and then they put it together and issue a

report, summarizing all the spending that's being done in advertising and promotion.

Q. Can you turn to tab four in your binder, Mrs. Beasley, and ask -- let me ask you whether that is the

Federal Trade Commission's report for 1993.

A. Yes.

Q. And that is Exhibit LJ601348; correct?

A. Yes.

Q. And that's the FTC's report?

A. Yes.

MR. WEBER: Your Honor, I'd move the admission under 803(8) as a government report.

MR. CIRESI: No objection, Your Honor.

THE COURT: I'm sorry, I'm having a hard time noting the number on the exhibit.

\*13 MR. WEBER: It's LJ601348. It's a little faint on the copy, Your Honor.

THE COURT: Yeah. I hope the original is better than that, because it's very hard to read.

MR. WEBER: Okay. I'll make sure --

THE COURT: Do you have the original that you're going to use as an exhibit? May I see it, please.

(Document handed to the court.)

THE COURT: Not much better.

MR. WEBER: Do you want me to put an exhibit sticker on it, Your Honor?

THE COURT: Yes, I think that would be better. Otherwise, we might lose this in the process.

MR. WEBER: Okay.

THE COURT: Michelle. Otherwise, we'll receive LJ601348.

MR. WEBER: Your Honor, I've got a marked sticker. Where should --

THE COURT: If you give it to Mr. Carpenter. Thank you.

MR. WEBER: Thank you.

By MR. WEBER:

Q. Mrs. Beasley, could you turn to page 18, which is Table 3D in this report, and let me ask you whether this is a table that lists the advertising and promotional expenditures over a period of years from 1990 to 1993?

A. Yes.

Q. And these are the FTC compilations of the data that's submitted to it?

A. Yes.

Q. Now I want to talk about 1993 as the most recent year on this chart, and does the FTC break this down into various categories?

A. Yes, they do.

Q. And what is the far right-hand column?

A. That says the percent of spending that is in each of these categories.

Q. So that --

A. You know, newspapers is .6 percent of the spending, magazines is 3.9 percent of the total spending.

Q. And that is the column for 1993.

A. Yes.

Q. And then the percent of the total for 1993; correct?

A. That's right.

Q. Now in the 1993 column, what is the largest single category by percent and dollars?

A. You can see that it is 42.4 percent, or 2.5 billion, and that's coupons and retail value added.

Q. And that's down at the -- toward the bottom?

A. Yes.

Q. Now what is coupons -- And let me just make sure we're following here. That's this --

A. Yes.

Q. -- entry right here, coupons and retail value added?

A. Yes.

Q. What is coupon and retail value added?

A. Coupons are -- It could be sent in the mail or it could be in a store, but it's where there's a coupon on a pack of cigarettes, or you get it in the mail, like 20 cents off or a dollar off a carton. That's a coupon. And it could be in store or through the mail. And then retail value added is where you have something like buy-

two-get- one-free or buy-two-get-a-lighter, that's value added.

Q. Now if a price discount is given to a smoker at retail, 20 cents off, whatever, does the amount of that

discount, is that included or not included in coupons and retail value added?

A. Yeah, right. What this is is it's the value of the coupons. So, you know, you run all these coupons to give price reductions to smokers, and that's a value of the price reduction that you're giving to smokers. That's how coupons work.

Q. So price discounting is included or not included in this category?

\*14 A. Yes, price discounting for coupons. One way of price discounting is coupons. There's another category that has other price discounts.

Q. Now has coupon and retail value added been part of the competitive environment in the cigarette industry over the past 10 years?

A. Right. It has been over the past 10 years, but it's gotten to be a lot, lot more, and the reason is because these lower-priced brands came out, so all the full-priced brands started doing coupons and promotion offers so they could try and keep smokers from switching to the reduced-priced brands, and that's why we've been doing a lot more coupons and a lot more price reductions.

Q. Now what is the next single largest category in the 1993 FTC listing by percentage and dollars?

A. That would be promotional allowances, which is 1.5 billion, and that's 25.8 percent of total spending.

Q. And that's the one I'm marking here, 25.8 percent?

A. Yes.

Q. What is represented by promotional allowances?

A. Promotional allowances are payments to retailers. That's primarily what it is. And it's where we go into a store and we say to the retailer if you'll put our display of cigarettes on the counter, then we'll pay you money to keep it there. Because of course other companies are trying to get their stuff on the counter, too, so you have to pay a retailer for that. It's also where we go in and say we know that the regular price of Camel in this store is two dollars, but we'd like you to sell it for a dollar fifty for the next four weeks. That's a 50 cents difference. We're going to write you a check so that you can give that price reduction to smokers on Camel when they come in. So it's price reductions, it's payments to retailers to display our products, and the amortization costs or the fixtures that we put the products in.

Q. Now are these payments to retailers, does that include payments to retailers in Minnesota?

A. Yes.

Q. What kind of stores are included in this program?

A. We include all stores. It's by how many cigarettes you sell, how much your payment can be.

Q. Now if we add together the coupon and retail value added, as you just discussed a moment ago, --

A. Uh-huh.

Q. -- and the promotional item that you just discussed right now, what percent of the total is included in just those two items?

A. About 70 percent of the spending is on this discount and promotional allowances.

Q. Now does the FTC report also include expenditures for traditional forms of advertising: newspapers, magazines, et cetera?

A. Yes, it does. You'll see it's the first ones up here.

Q. And when you say "the first ones," you mean the -- the first list -- set of listed items?

A. Yes.

Q. And does that include -- Let me just read it with you. Newspapers?

A. Magazines, outdoor, transit, and point of sale. That's signs in store. Point of sale is the signs we put up in stores.

Q. Now out of those -- Those are five items?

\*15 A. Yes.

Q. Out of those five items, what's the total percent that's represented by those five items, or annual -- total percent of annual spending according to the FTC report?

A. It's approximately 16 percent of total spending.

Q. Do RJR's own expenditures break down into roughly the same percentage?

A. Yes, they do, although we spend a little lower percentage on the traditional advertising and a little more on the discounting.

Q. While we're still on the subject of advertising expense, are there publications in the advertising field that compile and report on advertising expenditures for a variety of industries and a variety of brands?

A. Yes, there are.

Q. Is there a particular publication you review that has such compilations?

A. Yes, there is, it's Ad Age.

Q. Ad Age?

A. Uh-huh.

Q. What is Ad Age?

A. That's a magazine really for marketers who are doing marketing, and they constantly are writing articles like who's brought out what new products and who's brought out what new advertising campaigns and what are the new promotional ideas in marketing. It's kind of for the people who are doing marketing, their magazine.

Q. Do you receive and review Ad Age in the regular course of your business at R. J. Reynolds?

A. Yes.

Q. For how long have you been doing that?

A. Ever since -- you know, for 16 years. Our department gets Ad Age.

Q. Can you turn to tab five, AG000093, and let me ask you whether that's a report from Advertising Age of

August 8th, 1994, regarding advertising sales ratios for various industries?

A. Yes, it is.

Q. Now is this list a published commercial compilation generally used and relied upon by professionals in the field of marketing and advertising?

A. Yes, it is.

MR. WEBER: Your Honor, I'd move it under 803(17) as a published commercial compilation.

MR. CIRESI: Objection, Your Honor, it's irrelevant. She's not an expert, number one, and this does not include promotion, et cetera. It's irrelevant to this cause of action.

MR. WEBER: Your Honor --

MR. CIRESI: We'd have -- excuse me, counsel.

MR. WEBER: I'm sorry.

MR. CIRESI: We'd have to get into every other industry and determine what they spend on other forms of promotion for their product.

MR. WEBER: Under 803(17), Your Honor, it's a published commercial compilation that she does rely on it in the course of her work with respect to giving her information on understanding sales and marketing activities at R. J. Reynolds. I mean he can cross-examine her about why she considers it, but she says that she does.

MR. CIRESI: That's not the issue, Your Honor. She's not here as an expert, and it's irrelevant in dealing

with other industries.

THE COURT: Well I'm going to allow it, with some caution, because she's not an expert.

MR. WEBER: Just simply for her purposes at R. J. Reynolds, Your Honor.

THE COURT: All right.

By MR. WEBER:

Q. And if you could look at -- now could --

\*16 MR. WEBER: Your Honor, with the court's permission, could I have Mrs. Beasley come down on a blowup of that chart?

THE COURT: Okay. Go ahead.

MR. WEBER: To save us time on highlighting, counsel, I highlighted cigarettes and the ones above it.

Okay. This is a copy of that chart.

(Discussion off the record.)

By MR. WEBER:

Q. Now is this a copy of the chart from Advertising Age you were just talking about?

A. Yes, it is.

Q. And are the cigarettes marked in yellow?

A. Yes.

Q. And what are the marks in pink?

A. Those are all of the types of product categories other than cigarettes that spend more on advertising, as much or more on advertising than cigarettes.

MR. CIRESI: I move to strike the answer. There's no foundation for that from this witness.

THE COURT: Okay. Sustained.

By MR. WEBER:

Q. Let me -- what -- what are -- Is the column here "Ad dollars as percentage of sales?"

A. Yes.

Q. And does that present -- produce advertising sales ratios?

A. Yes. What it -- We just divide the amount you spend on advertising by net sales, and that's the percent of your net sales that you spend on advertising.

Q. Now do you at R. J. Reynolds take into account information on advertising to sales ratios?

A. Yes, definitely.

Q. And what purpose does information on advertising to sales ratios play in your analysis at R. J. Reynolds in the job you do?

A. It's one of the many measures we look at to see if we're being competitive in the marketplace, if we're spending at competitive kind of rates for -- with the competition.

MR. CIRESI: Your Honor, I'm going to move to strike because it does not deal with promotion and marketing. That's the problem with this with this witness.

THE COURT: Well I'm going to let it stand.

By MR. WEBER:

Q. And could you go through, Mrs. Beasley, and identify what the advertising sales ratio for cigarettes is.

A. Certainly. It's 4.4 percent.

Q. And just for the record, could you explain what the SIC code number is for each industry that goes along there?

A. Sure. This code here is the federal government classification of each product category, so this is how the government classifies each product category. And they're in their classes. And then what they've done is they've put the ad to sales ratio for each of those categories that the federal government classifies.

Q. Now the ones marked in pink, are those the ones that have higher ad to sales ratios that are lower than the cigarette?



MR. CIRESI: Again, Your Honor, I'm going to -- It's irrelevant.

THE COURT: I'm going to allow it.

A. Yes, all of the ones marked in pink, like bakery products, beverages, dolls and stuffed toys, educational services, greeting cards, household furniture, miscellaneous chemical products, motion picture, videotapes, pens and pencils and office materials, phonograph records, audio tapes, radio broadcasting stations, retail stores, shoe stores, soap, sugar, these are all product categories that spend more of their net sales on advertising than cigarettes do. And then the ones that aren't marked are the ones that spend less.

\*17 Q. Okay. And let me now ask you another question, Mrs. Beasley. Does Ad Age also publish an annual compilation of spending on major brands, advertising spending on major brands in the consumer market?

A. Yes.

Q. And have you reviewed these compilations as well over your years at R. J. Reynolds?

A. Sure have.

Q. And do you use them in the regular course of your business?

A. I do.

Q. Are they commercial data compilations used and relied upon by professionals in the field of advertising and marketing?

A. Yes, they are.

Q. Okay. I'd like to show you tab six, which is Exhibit AG000090. Here, I've got -- I've got an extra copy here, Mrs. Beasley.

A. Oh, I'm sorry.

Q. And ask whether you can identify that.

A. It's Advertising Age, it's the top 200 brands.

Q. For -- for which year?

A. It's for 1994.

MR. WEBER: Your Honor, I'd move the Advertising Age brand advertising survey, again under 803(17).

THE COURT: Well not until she returns to her seat. Unless she's -- Is she finished with that?

MR. WEBER: I got that one on the chart, too.

THE COURT: You got another one? Okay. Counsel, I wonder if you could move that back a little bit. I

don't want the witness standing on top of the jury.

MR. WEBER: Right.

THE COURT: And then I do want -- would like to have the witness speak in this direction so the reporter -

- No, stand on the other side --

THE WITNESS: Oh, I'm sorry.

THE COURT: -- so the reporter can see you speaking.

THE WITNESS: Okay.

THE COURT: Otherwise he can't get everything down.

THE WITNESS: Okay.

MR. CIRESI: Same objection.

THE COURT: Counsel.

MR. CIRESI: Same objection.

THE COURT: All right. Court will receive that in evidence.

By MR. WEBER:

Q. And is this a copy of the top 200 megabrands by ad spending?

A. Yes, it is.

Q. That is in the Advertising Age issue we just talked about?

A. Uh-huh. Yes.

Q. Now of the top 200 megabrands in 1994, how many cigarette brands made the list?

A. One cigarette brand is in the top 200 brands, and that's Marlboro. And let's see, it's right here at number

62.

Q. Could you identify some of the brands just above or just below Marlboro on that.  
A. Sure. Just above Marlboro is Advil, Target stores, Dillards stores, and then just below it is Delta Airlines, Robinsons/May stores, U.S. dairy products.  
Q. Are there -- and -- and again, is -- Are there any more cigarette brands in the top 200 mega list?  
A. No, no other cigarette brands make the top 200 in advertising spending.  
Q. Just to give some examples on this, what's ranked number 145 on this list?  
MR. CIRESI: Your Honor, again I'm going to object on relevancy.  
A. That's --  
THE WITNESS: Oh.  
MR. WEBER: Wait, wait, wait, Ms. Beasley.  
THE COURT: You can answer.  
THE WITNESS: Okay.  
Q. One forty-five --  
A. Number 145, it's Blue Cross and Blue Shield.  
Q. What's 148?  
\*18 A. One-forty eight is the U.S. Army.  
Q. How about 177 and 178?  
A. Maxwell House coffees and Folgers coffees.  
Q. And 190?  
A. Snapple beverages.  
Q. Okay. And is Camel on that list?  
A. No.  
Q. If you'd sit down now, Mrs. Beasley. Thank you very much. Let's move now from advertising to the issue of sales, Mrs. Beasley, and talk about how Reynolds cigarettes are sold in the marketplace. First of all, does Reynolds sell cigarettes at retail here in Minnesota?  
A. I'm sorry, could you ask --  
Q. Does R. J. Reynolds itself sell cigarettes at retail here in Minnesota?  
A. No, we do not sell cigarettes to smokers in Minnesota. We sell cigarettes to wholesalers. You know, a wholesaler then sells to retail stores. Or we sell directly to large retail chains. But our cigarettes are sold to wholesalers and retailers, large retail chains. The wholesalers themselves to the small retail stores. And then retailers themselves are the ones who then sell cigarettes to smokers.  
Q. Has the state of Minnesota, to your knowledge, made a determination as to the age at which cigarettes can legally be sold to smokers?  
MR. CIRESI: Objection, irrelevant to this witness, Your Honor.  
THE COURT: Well you can answer that.  
A. Eighteen.  
Q. Now is Reynolds by itself, and in participation with others in the industry, engaged in programs to educate retailers about underage sales?  
A. Yes, we are.  
Q. Could you describe the Reynolds programs that you're aware of briefly.  
A. Yes. Back in 1992 we started with It's the Law and it became an industry program called We Card, but what the program essentially does is we provide materials to retailers, there is a video and an employee handbook and signs that you can put up in the store, and these are materials so that retailers can train their clerks to card people for cigarettes so that they're sure they're selling cigarettes to adults. And then they put these signs up in the -- in the store. You may have seen them that say We Card, so that people walking up, especially if kids were walking up, they'd see that and turn around and not try and buy cigarettes illegally there. And we provide those materials to stores, and they're in over 200,000 retail outlets they've been sent

to.

Q. Now are you aware that some people under the legal age nonetheless get cigarettes at retail?

A. Yes.

Q. Are you aware of any government statistics as to what percentage of total cigarette sales are made to people under the legal age?

A. Yes. It's roughly -- Of all cigarettes smoked, about two percent of them are smoked by underage; 98 percent of cigarettes sold are smoked by adults.

Q. Now does R. J. Reynolds -- Do you as executive vice-president of R. J. Reynolds or does Reynolds itself want any of that business?

A. You --

Q. That is, sales to underage smokers?

A. No. We definitely do not want underage sales at all.

Q. And why is that?

A. Well I mean, first of all, of course, it's wrong. I don't want kids to smoke, and I don't think really any responsible adult wants kids to smoke, and that's why our society has said that the legal age for smoking is 18 years old, because that's when we think that someone can make an informed choice about the risks and whether they want to take on the risks or not, and I agree with that. But also, it would be crazy for us, because every time a kid lights up, we get blamed, and it makes it hard to market to the 45 million adults who represent 98 percent of all cigarettes sold. Every time a kid lights up, especially if it's one of our brands, then it becomes harder and harder for me to market to adults, and it becomes harder and harder for me to move anybody from that 75 to the 25 because there's more limited things I can do. So if the kids didn't smoke, if they weren't experimenting with smoking, it has almost no volume impact, and we would be able to market more freely, which is what we need to be able to do to move people to our brand.

\*19 Q. I want to move now to an explanation of how Reynolds conducts its marketing research, how it develops its marketing campaigns, Mrs. Beasley.

A. Yes.

Q. Over your 16 years at Reynolds, have you both participated in and supervised the development of marketing campaigns for cigarette brands?

A. I have.

Q. Has RJR's practices and how it researches and develops advertising and marketing campaigns, have their practices over those years been consistent or inconsistent?

A. Consistent.

Q. And do you know, based on what you learned when you came to R. J. Reynolds and were trained, whether the practices that you've engaged in and seen in terms of researching and developing campaigns, that the practices you were trained in beginning in '82, were those consistent or inconsistent with what Reynolds was doing before you joined the company?

A. Consistent.

MR. CIRESI: Excuse me.

THE WITNESS: Sorry.

MR. CIRESI: I'm going to move to strike that. There's no basis for that statement by this witness.

THE COURT: You'll have to lay a foundation for that.

By MR. WEBER:

Q. When you were trained in -- When you joined Reynolds in '82, began to be trained in marketing and advertising practices at Reynolds as you mentioned earlier, did you learn whether -- whether the training you were learning, did you learn at that time whether the training you were given principally, you were learning, were consistent with what Reynolds had been doing before you joined the company?

MR. CIRESI: That's a "yes" or "no," ma'am.

THE WITNESS: Okay.

A. Yes, it was consistent.

MR. CIRESI: Well, Your Honor --

THE WITNESS: Oh, I'm sorry.

MR. CIRESI: You don't have to be sorry.

THE WITNESS: I thought that's what you meant.

MR. CIRESI: You don't have to be sorry. It was a "yes" or "no." We move to strike, there's no foundation.

THE COURT: The answer will be stricken except for the word yes.

MR. WEBER: Okay.

By MR. WEBER:

Q. Now -- okay. Did -- Based upon your business school graduate degree and your work in marketing over the past 16 years, do you know whether Reynolds research practices, marketing development research practices, how those compared to those of other branded goods companies in the consumer market?

MR. CIRESI: Objection, Your Honor, it's irrelevant.

THE COURT: Sustained.

By MR. WEBER:

Q. Do you know as head of marketing at Reynolds whether Reynolds uses marketing research practices that are generally used in the consumer good community?

MR. CIRESI: Objection, Your Honor, it's irrelevant.

THE COURT: No, you can answer that.

MR. WEBER: Would you like me to repeat that, Mrs. Beasley?

THE WITNESS: Sorry, yes.

Q. Do you know as head of marketing at Reynolds whether Reynolds uses marketing research practices that are generally used in the consumer good community?

A. Oh, yes, we do. You know, I learned that in school. And also I know marketing people at other companies. My twin sister is vice-president of marketing at Whirlpool, and we talk about --

\*20 MR. CIRESI: Your Honor, here we go. I mean this is blatant hearsay.

THE COURT: All right. From her --

MR. CIRESI: Move to strike.

THE COURT: -- twin sister forward will be stricken.

Q. So that the methods -- I just want to confirm now, Mrs. Beasley, the marketing research practices

Reynolds uses are ones generally used in the consumer --

A. Yes.

Q. Could you please explain, then, how Reynolds goes about developing, creating and implementing a marketing campaign for one of its cigarette brands. And I want you to focus as you are doing this on a -- let's assume a marketing campaign for cigarettes that already exist, not a wholly new brand.

A. Sure. Okay.

Q. And could you explain that process as you've known it, done it, and supervised it at Reynolds.

A. Sure. Well again, it would be helpful to me just to use a brand as an example. But take the Salem brand which already exists. And you would go -- The first step would be to go out and talk to adult Salem

smokers and competitive smokers, and in the case of Salem that would be Kool and Newport because they're the other menthol brands, the big menthol brands, and Salem's a menthol brand. So first of all you talk to current Salem smokers and you say what do you like about Salem? What don't you like? If you could change anything about Salem, what would you change? What do you like -- even if you're a Salem smoker, what do you like about Kool? What don't you like about Kool? What would you change about Kool if you could? Same thing about Newport. Then you go to Newport smokers and you ask them about Salem and Kool, and you go to Kool smokers and you ask them about Newport and Salem. And you put all this information together to try to find out what are your brand's weaknesses and what are your brand's strengths, so how could you create an idea that makes your brand a better choice for competitive smokers that they would more want to switch to. And you always have to be careful when you're doing that that you don't come up with some idea that the current smokers of the brands are going to switch away from, because they're mad you changed, because not everybody likes a change. So you got to balance it. But the first thing you do is you get all this information, and then we go back and we brainstorm: Hmm, given everything we've learned, what do we think we could do with Salem? You know, could we change the packaging? What kind of new campaign could we make? And then we go to advertising agencies, and sometimes we go to, you know, just one and sometimes as many as four or five, and we say, okay, we need a new campaign for Salem. Here is what we've learned about Salem and the competition. Can you come up with new advertising ideas for us for Salem? And they'll come up with, you know, hundreds of ideas. I mean just stacks of ideas.

MR. CIRESI: Excuse me, ma'am, just one -- Your Honor, we're going to move to strike any reference to ad agencies since we did not have discovery on third parties other than what was in Reynolds' own files.

\*21 THE COURT: Okay. Up to the point where she starts talking about ad agencies, then that answer will be stricken. The rest will stand.

MR. WEBER: Your Honor, could I be heard at side-bar on that? Just briefly.

THE COURT: All right. Why don't we take a short recess.

(Recess taken.)

THE CLERK: All rise. Court is again in session.

(Jury enters the courtroom.)

THE CLERK: Please be seated.

THE COURT: Counsel.

MR. WEBER: Thank you, Your Honor.

By MR. WEBER:

Q. You got your microphone on?

A. Yeah. I put it on.

Q. Mrs. Beasley, before we broke you were talking about how Reynolds goes about developing, creating, and implementing a marketing plan. Do you remember that?

A. Yes.

Q. And I think you mentioned that you would, once an initial step -- Right where we broke what you were talking about was going out and speaking to adult smokers of the current brand and adult smokers of

competitive brands to get input from them.

A. Yes.

Q. Are those called focus groups?

A. Yes.

Q. Can you explain how focus groups work in your practice at R. J. Reynolds.

A. Uh-huh. A focus group is where we go and talk to smokers, adult smokers. And we'll get like eight to 10

people in a room at once around a table, and we hire someone who's trained in asking questions, and that

person will ask all the questions we want about the brand and the advertising and things like that. And I'm,

or other people who work in the marketing group, are sitting in another room watching their answers on a

monitor so we can see what they have to say about our advertising and the brands.

That's a focus group.

And you do like eight to 10 people at a time. And then you might do three to four groups a day and you

might do them for two days, and you do them in different cities, so you hear what people have to say across

the country.

Q. Now after you do focus group research in developing, creating, and implementing a marketing

campaign, what -- what comes next?

A. After we have an idea of what adult smokers like and don't like about the brand, that's when we develop

advertising ideas. And once we have a lot of advertising ideas, then we go back out to smokers again and

we ask these adult smokers what they think of the advertising. Do they like it? Do they not like it? Would it

make them reconsider switching to our brand instead of smoking the other brand based on what they see in

the advertising? And usually when we do focus groups, most ideas, you know, either are not liked or some

people like and other people don't like, and then you go back and work on them again and you do more

focus groups and you make more revisions and you work on them again. So it's a process of trying to come

up with an advertising idea that works, and usually that takes like -- I don't know, probably the shortest ever

would be three months, and it can take years before you find an idea that you really think works.

Q. Do you do quantitative testing as well?

\*22 A. Yes. We also do -- What quantitative testing is, instead of asking a small group of people, you ask a

very large group of people, maybe 150 to 600 people, the same set of questions, and then you see how that

large group of people -- what they have to say. And that's a quantitative survey. And it gives you more

confidence than just talking about a small group. So that you have a large group of people that say, yeah,

this is a good idea, it would make me consider switching to your brand.

Q. Now does R. J. Reynolds have standards as to the age groups it includes in its research when developing a marketing campaign?

A. Yes. When I started with the company, the age group that we researched were 18-year-old smokers and

older, 18 and older, and then that changed in 1992 and it became 21 years and older, we only did research

among 21 and older in 1992.

Q. Why was that change made?

A. That change was made because we felt like we were receiving a lot of criticism that we were trying to

market to kids, and we weren't, and we felt like if we created that buffer where we didn't talk with 18-, 19-

or 20-year-olds but only 21 and older, that that would be that much more assurance that we're reaching adults and not underage. So that's why we changed it to 21.

Q. Now --

MR. CIRESI: Excuse me, move to strike that portion which is non-responsive and calls for conclusions without foundation.

THE COURT: I'll let the answer stand.

By MR. WEBER:

Q. Now as part of its marketing practices, marketing practices, does Reynolds also have any other standards it adheres to?

A. Yes, we do. We have other standards that we adhere to. There are legal standards. We're required to put warning statements in all of our --

MR. CIRESI: Excuse me, Your Honor -- I'm sorry, Mrs. Beasley. Your Honor, calls for a legal conclusion she's not qualified to answer.

THE COURT: You'll have to re-ask the question, counsel.

MR. WEBER: Okay.

By MR. WEBER:

Q. I don't want you to talk about your understanding of the law right now, Mrs. Beasley. Okay?

A. Okay.

Q. What I'd like you to explain to the ladies and gentlemen of the jury are other standards that Reynolds uses in its marketing and advertising with respect to issues such as billboards, promotions, et cetera.

A. Yes. Well we have, in -- We have internal standards that we use, and it's the Cigarette Advertising and Promotion Code that we adhere to, which is a voluntary code we have agreed to that has a lot of standards in it and how we will market our cigarettes.

Q. Can you just mention briefly some of the different standards that you use at R. J. Reynolds.

A. Yes. We don't advertise on radio or television, and we only advertise in publications that are not directed at those under 21. Magazines -- when I say "publications," I mean magazines and newspapers that are not directed at those under 21. On billboards, we -- we place them at least 500 feet away from a school or playground. We will not pay for placement of advertising or product in movies. We only use models for our advertising that are 25 years of age or older and look 25 years of age or older. On all of our promotions we require that, to participate in the promotion, that you sign a certification that you are 21 years of age, a smoker, and want to receive the promotional offer. When we do sampling, we will -- you have to be 21 years of age and a smoker, you have to show us identification that you are 21 years of age. And when we produce like the T-shirts and jackets that are promotions, we only do them in adult sizes. That's some -- that's not comprehensive, that's not all of them, but that's the key ones.

\*23 Q. Let's start with the provisions on promotions. What age are your promotional activities restricted to?

A. Twenty-one years of age.

Q. What steps do you take to put in place that restriction, on restricting promotions to those 21 and older.

A. First of all, we only develop the promotion ideas among 21-year-old smokers or older. When we take the promotion ideas out, we're only talking to smokers who are 21 years of age or older, so the ideas are

developed for them. Then in order to participate in the promotion, you have to sign -- and it says under penalty of law -- you have to sign that you are 21 years of age and a smoker and want the promotion.

Q. Now when promotional material is mailed in response to one of these cards that come in that's -- where someone has signed they're 21 years or over, when promotional mail -- promotional material is mailed, what type of mailing or packaging does R. J. Reynolds use?

A. We mail it back to the home in a package that says "Cigarette Offer Inside" on the package, so that -- so if it's arriving to anyone in the home who does not want cigarette offers, they can throw it away.

Q. Now can people file false certifications?

A. Yes.

Q. Does that happen from time to time?

A. Yes.

Q. And what does R. J. Reynolds do when it learns about that?

A. When we learn about someone who has filed a false certification, we red flag their name on our mailing list and they can never receive another offer from us.

Q. Now you mentioned also another provision about models must be 25 and also must appear to be 25. Am I correct?

A. Yes.

Q. How does Reynolds put that provision into effect?

A. Well of course how old someone looks as opposed to how old they actually are is a judgment call. But first our advertising agencies apply their judgment and then we apply our judgment in marketing as to whether the person actually looks 25, and then our legal department has to review all advertising and they have to okay that they think it meets the code. Then our external relations department has to review it and okay that it meets the code. And then we have something called an internal review panel, which is made up of non-marketing people. There are no people on it that are in marketing. It's just other employees in the company, and we include mothers and fathers and men and women and African Americans and white people so that we get a broad range. They look at the advertising and they apply their judgment. So that it's really someone who doesn't have a marketing background but is just looking at it as an average person and what do they think of it.

MR. CIRESI: Move to strike the reference to the advertising agencies. Also I'd like some time limits, Your Honor, as to when this was put in place.

THE COURT: Okay. The reference to the advertising agencies will be stricken.

By MR. WEBER:

Q. Does R. J. Reynolds have a practice with respect to its advertising agencies and the ages of models that are used?

\*24 A. Yes. We require that the agencies must use models who are 25 years of age, and they have a contract they sign.

Q. Now let's talk about those provisions about no billboards in certain locations. How are those provisions put into effect?

A. We have an agency --

MR. CIRESI: Again, Your Honor, I'm going to object unless there's a time limitation put on this.

THE COURT: Can we get a time, counsel?



By MR. WEBER:

Q. During your period at R. J. Reynolds up until 1994.

A. During my time period, how we have done it is we had our own internal media department at -- up until the early '90s, and then we hired an agency to buy our -- place our billboards for us, but whether it was inside or outside, we had the same procedures in place, and that is that you must comply with the code that says it's at least 500 feet from a school or playground. You can't place a billboard closer than that. Then field reps are hired to go out and spot check the marketplace and ensure that the billboards are in compliance. We also have a 1-800 number for our sales force so that they can call in, because they're all over the country, so if they spot a billboard that's not in compliance, they can let us know. And most of the billboard suppliers have what's called cigarette inventory, because all of the cigarette companies have agreed to comply with this, so they have billboards that are designated for cigarette companies to use.

Q. Let me turn now to that mention you made about not advertising in publications primarily directed to people under 21.

A. Yes.

Q. And I want to ask you a series of questions about how that's put into effect at R. J. Reynolds. Let me start out with this. Is there an approved list of magazines at R. J. Reynolds?

A. Yes.

Q. And how is that list developed?

A. That list is developed by first looking at the editorial content of the magazine. Does it appear to be adult editorial? Secondly, we look at other advertisers. Are there other adult products that advertise in the magazine, indicating that it's viewed as an adult magazine? We also talk to the magazine itself to find out -- you know, because magazines themselves have targets, too -- are they targeting adults with the magazine? So we look for publications that are targeted to adults and not targeted to those under 21.

Q. Could you give the ladies and gentlemen of the jury some examples of magazines that are and magazines that are not on the list?

A. Sure. Examples of magazines that we advertise in would be People, Sports Illustrated, Newsweek, U.S. News & World Report, the National Enquirer, Soap Opera Digest, many like that. And examples of those we don't advertise in would be Sports Illustrated does a Teen Sports, a kids' Sports Illustrated; we don't put ads in that. People does a teen version of People for teen-agers; we don't put advertising in that. Magazines like Teen, 17, Game Pro, these are magazines that are directed at those under 21 and we don't advertise in those.

\*25 Q. Now you mentioned that you looked to other ads that appear in the publication and as part of this judgment.

A. I'm sorry, would you ask the question again?

Q. It wasn't well phrased. I don't mean to put -- I think you mentioned a moment ago that as part of the judgment you reach in determining whether to place ads in a magazine, you'll look at other advertisers in the magazine?

A. Right, yes.

Q. On this subject, did I ask you to review a Camel advertisement that appeared in People Magazine that  
Mr. Ciresi showed the jury --  
A. Yes.  
Q. -- on February 9th in this trial?  
A. Yes.  
Q. And could you turn to tab eight, which is Exhibit AZ008553. And let me ask you whether that's a copy  
of People Magazine from August 1989.  
A. Yes.  
Q. That includes that advertisement -- that Camel advertisement in it.  
A. Yes.  
Q. And did you review that People Magazine for examples of other advertisements as well?  
A. Yes.  
MR. WEBER: Your Honor, I'd move AZ008553 into evidence. Self-authenticating under 902, and then  
under Rules 401 and 402, simply to show other advertisements in here. It's a non-hearsay purpose.  
MR. CIRESI: I have no objection, Your Honor.  
THE COURT: Court will receive AZ008553.  
By MR. WEBER:  
Q. And Mrs. Beasley, because some of the pages where the advertisements are aren't numbered, I'm going  
to show this on the projector for you and ask -- but it's approximately page four and five, and this is the  
People Magazine that says -- I guess it's a retrospective of Lucille Ball; right?  
A. Yes.  
Q. Now is there, approximately on pages four and five, if you'd look at the monitor, an ad for Seagram's 7,  
a two-page ad?  
A. Yes.  
Q. All right. And is that a product that is advertised to adults?  
A. Yes.  
Q. And approximately on page nine, is that an ad for Prudential Financial Services?  
A. Yes, it is.  
Q. And are those advertised primarily to adults?  
A. Yes.  
Q. And approximately on page 22, is that a Chevrolet Lumina ad?  
A. Yes.  
Q. Again an adult product?  
A. Yes.  
Q. Page 47, approximately, another car ad for adults?  
A. Yes.  
Q. How about this one? Some of the men here I guess would -- me included -- would know what this is.  
MR. CIRESI: I wouldn't.  
Q. Is this -- Is this an adult product, Progain?  
A. Yes.  
THE COURT: Would you like to object, Mr. Ciresi?  
(Laughter.)  
MR. CIRESI: I'm wondering if there's one that works, Your Honor.  
(Laughter.)  
By MR. WEBER:  
Q. And then the centerfold, another automobile ad?  
A. Yes.  
Q. And another automobile ad for Hyundai?  
A. Yes.  
Q. And then an ad talking about wives and mothers looking for temporary employment as Kelly Girls --  
A. Yes.  
Q. -- or what used to be called Kelly Girls?  
A. Uh-huh, temporary services.

Q. And then the Camel ad that was shown by Mr. Ciresi earlier; correct?

A. Yes.

Q. What do the presence of these ads in this magazine tell you about what advertisers thought about the demographics of People Magazine at that time?

\*26 MR. CIRESI: Excuse me, calls for speculation and conjecture on the part of this witness, Your Honor.

THE COURT: Sustained.

By MR. WEBER:

Q. As one in the field of advertising, do you draw any conclusion as to the demographics as perceived by advertisers at that time, as to whether or not People Magazine was an appropriate venue for adult advertisement?

MR. CIRESI: Same objection. She's not proffered as an expert, Your Honor.

THE COURT: Sustained. She's not an expert.

By MR. WEBER:

Q. Now let's talk about how policies and procedures communicated -- how these policies and procedures

that you've talked about are communicated to Reynolds employees and to its outside contractors that it

deals with. First of all, how did new marketing employees learn about marketing policies in this area?

A. When you're hired as -- When I started, and now when other people start, you receive an orientation that

includes an orientation to our policies and procedures. Our legal department and others review -- and

marketing management review our policies with regard to only marketing to adult smokers, not underage,

not non-smokers. We review our voluntary advertising and promotion cigarette code, the policies I talked

about with new trainees. And we also review our internal review process, because anyone hired in

marketing has to know that if they're developing a promotion and ad, it has to be reviewed by legal and

approved, it has to be reviewed by external relations and approved, it has to be reviewed by marketing

management and approved, and it has to be reviewed by our internal review panel and approved. So they're

educated about our process on how we do it as well.

Q. Are new employees advised about the process of writing memoranda and documents?

A. Yes, they are.

Q. What are they advised about that in the marketing area?

A. I tell people that we hire to be very clear and unambiguous in the language they use because anything

that we write can -- if it can be misconstrued, it will be.

MR. CIRESI: I'm going to move to strike the last portion of the answer, Your Honor.

THE COURT: Sustained.

By MR. WEBER:

Q. Just if you could, Mrs. Beasley, just describe what it is that you advise new employees and what you

understand new employees are advised of in this area.

A. All right. They're advised of the policies and procedures we have. They're -- I advise them that when

they put documents together, it's very important that they be very clear and unambiguous in the language.

Q. And your reason for that is what, Mrs. Beasley?

A. The reason for that is that we -- we want it to be very clear to anyone who views our documents what

our policies and procedures are, that there can be no misunderstanding.

Q. Now you mentioned work with ad agencies and media placement firms and that. How does Reynolds

communicate to outside contractors its policies and procedures?

A. Similar process. They're given an orientation on our policies and procedures. They must comply with them.

\*27 Q. Does Reynolds take steps to track its market share on an ongoing basis?

A. Yes.

Q. How does it go about doing that?

A. We have three different methods for tracking share of market. The first one is just how many cigarettes

we sell to wholesalers and retailers, our shipments, our shipment of cigarettes to wholesalers and retailers,

and we also know how many cigarettes the competition ships, so we know what our share is of shipments.

So that's our share of cigarettes shipped, who we sell them to, wholesalers and retailers. That's volume,

share of market on a volume basis. Then we also have something called the Marlin system, which is -- it's a

national random sample. We hired an outside supplier that did it for us, and they go to retail stores, a

random sample of retail stores, and they find out how many of the cigarettes sold in retail stores are our

brands and how many are competitive brands. So we know our share of market, how many of the cigarettes

sold from retailers to smokers are our brand, and that's a retail share of market. And then the third tracking -

- way we track share of marketing what's called RJR Tracker, and that's share of smokers. So the other

things dealt with units, how many cigarette packs, this is talking to adult smokers and saying -- we ask

them what is the brand that you consider your usual brand that you buy most often, and they tell us, and

then so we know what percent of smokers say the brand they buy most often is our brand or the brand they

buy most often is some competitive brand, so we know our share of smokers, it's called.

Q. Now in connection with the Tracker system, which tracks share of smokers; am I correct?

A. Yes.

Q. What age -- Is there an age restriction on who's included in that survey?

A. Yes. We track the adult legal age market, 18 and older.

Q. Why do you collect tracking data?

A. We collect it so we know how we stand versus our competition.

Q. Have you become aware during your time at Reynolds that in the past R. J. Reynolds purchased tracking

data from outside sources that included tracking data on underage smokers?

A. I have.

Q. How did you become aware of that?

A. During the course of litigation over the last year and a half when I -- I was shown these old documents

that showed there was tracking of 14- to 17- year-olds.

Q. Had you ever used such data in tracking data on anyone underage in your 16 years at R. J. Reynolds in

connection with marketing or advertising campaigns?

A. No. You know, to my knowledge we never tracked it since I've been with Reynolds in the last 16 years,

and I didn't know it ever existed -- I didn't know the old documents existed.

Q. Could you turn to tab 12, Mrs. Beasley.

A. Yes.

Q. That's Exhibit 12239, a document already in evidence.

A. Yes.

Q. And if I can get a little more light on there, let me first show the exhibit number, and if you could look at

that up top, it says, "TRENDS IN WINSTON'S SHARE OF SMOKERS BY AGE GROUP COMPARED WITH MARLBORO (BASED ON SPRING SCREENINGS OF THE NFO PANEL IN YEARS

INDICATED)," and then the years indicated, if we look, are '66 through '76, not -- not on an annual basis;

am I correct?

\*28 A. Yes.

Q. Now -- And is one of the categories included here total younger smokers, 14 to 17?

A. Yes.

Q. Now had you ever seen this document in the regular course of business?

A. No.

Q. It refers to NFO up top. Do you know what NFO is or was?

A. It was the National Family Opinion, which -- Prior to RJR Tracker, which is the system we've used ever since I've been with the company, they had this system before that, which was an outside supplier who tracked our share of smokers.

Q. Now with respect to the information about share of market on this document, 12239, does this

information give you as a marketer sufficient information on which to make -- base a marketing campaign

aimed at 14- to 17- year-olds or for that matter any age group?

A. No.

Q. Why not?

A. No. Because what you would need to do, if you -- This only tells you your share. What you would need

to do if you wanted to actually market to 14- to 17-year-olds, and you'd need to go and do the focus groups

and the quantitative surveys, you'd need to know what they think of the brands, develop ideas for them,

show them the ideas and see what ideas work. That's how we develop advertising and that's how you find

out if you have an idea that works.

Q. Now in your 16 years at Reynolds in marketing, has there ever been a meeting or discussion you've been

in where tracking data on underage smoking was discussed for marketing purposes?

A. No.

MR. CIRESI: Objection, Your Honor, calls for hearsay.

THE COURT: Sustained.

By MR. WEBER:

Q. Have you ever given a direction or received a direction or, to your knowledge, has anyone else at

Reynolds in your 16 years, regarding the use of tracking data on underage smoking for marketing purposes?

MR. CIRESI: Objection to the form of the question, calls for speculation and hearsay.

THE COURT: You'll have to re-ask the question, counsel.

By MR. WEBER:

Q. Simply limiting myself to your knowledge now, Mrs. Beasley, have you ever received or given a

direction or, to your knowledge, has anyone else, about using underage tracking data for marketing

purposes?

MR. CIRESI: Same objection, Your Honor.

THE COURT: Okay. She can testify as to what she's done. That's all.

MR. WEBER: Okay. She may answer the question then, Your Honor?

THE COURT: No, she may not.

MR. WEBER: Okay.

By MR. WEBER:

Q. Then based on what you know and what you've done, have you ever given or received any instruction or

direction regarding the use of underage data for marketing purposes?

MR. CIRESI: Objection to the form of the question. Part of it calls for hearsay.

THE COURT: Okay. She may -- she may testify as to whether or not she gave anyone directions with regard to that.

MR. WEBER: I'm sorry, Your Honor.

By MR. WEBER:

Q. Have you ever given such a direction?

A. I have never given anyone direction to develop programs or market to underage smokers. It was quite the opposite.

\*29 Q. Has Reynolds to your knowledge ever run a focus group using people under the age of 18?

A. No.

MR. CIRESI: Excuse me, --

THE WITNESS: I'm sorry.

MR. CIRESI: -- Your Honor, it's broad as to time.

THE COURT: Can you give us a time period, please.

By MR. WEBER:

Q. During your 16 years at Reynolds, do you have any knowledge that a focus group or advertising, marketing, promotion, packaging, anything, do you have any knowledge that any focus group was ever run on anybody under the age of 18?

A. No, I do not.

Q. I want to ask you now some questions about what Reynolds does when it hears about possible violations of its policies and practices. Did there come a time when you were in senior management when Reynolds heard that a sales manager had suggested action that appeared to be in violation of policy?

A. Yes.

Q. Could you explain that.

A. Yes. One of our sales managers instructed the salespeople that worked for him to place promotions -- give special attention to stores around high schools, which is in clear violation of our policy.

Q. And what did Reynolds management do when it learned of this?

MR. CIRESI: Well excuse me, Your Honor. Unless she was involved, this calls for hearsay.

THE COURT: Okay. You'll have to lay some foundation on that.

By MR. WEBER:

Q. At the time this incident occurred, were you in senior management at Reynolds?

A. Yes.

Q. Were you aware of this?

A. Yes.

Q. Were you consulted with respect to this?

A. Yes.

Q. What did Reynolds management do when it learned of this?

MR. CIRESI: There's still no foundation as to whether she was involved in taking action.

THE COURT: Okay. As I understand, she's testified that she was involved; is that correct?

MR. WEBER: She was consulted with respect to it and she's now going to describe it.

THE COURT: Okay. You can answer it.

Q. What did management do, Mrs. Beasley?

A. A written reprimand was provided to the employee about the incident. He was instructed to correct it with all of the salespeople, which he did. Our head of sales, the executive vice-president of sales, wrote a letter to all -- every single sales employee making sure that they understood how important our policies were and that they adhere to them, and that went to every single person. And then we conducted an investigation to see if there were any other employees who misunderstood the policy.

MR. CIRESI: Your Honor, I'm going to move to strike the non-responsive portion. I'd also like a time period for this.

THE COURT: Well I'll let the answer stand if you can give us a time period.

MR. WEBER: Okay. I think I can do it this way, Your Honor.

Q. Could you turn to tab nine, Mrs. Beasley. That's Exhibit AM002637. Is that a letter dated April 10, 1990

to all field sales employees from Yancey Ford, executive vice-president of sales?

A. Yes.

Q. Is this the letter you referred to a moment ago?

\*30 A. Yes.

Q. Was this created and maintained by Reynolds in the regular course of business?

A. Yes.

MR. WEBER: Your Honor, I'd move the admission of AM002637.

MR. CIRESI: No objection, Your Honor.

THE COURT: Court will receive AM002637.

By MR. WEBER:

Q. And is this dated April 10, 1990, Mrs. Beasley?

A. Yes.

Q. And to whom was this memo directed?

A. All field sales employees.

Q. And who sent this memo?

A. Yancey Ford, our executive vice-president of sales.

Q. All right. And could you read through this letter for the ladies and gentlemen of the jury.

A. "It is our -- our long-standing and firmly-held view at R. J. Reynolds Tobacco Company that smoking is

an adult custom. Our policy is to promote and market our products only to adult smokers, primarily those

who smoke competitive brands. "It has come to our attention that our current sales strategy against

Marlboro was misinterpreted in one of our 166 sales divisions. As a result, our sales representatives in that

division were apparently asked to identify retail calls near high schools for the purpose of maintaining

ongoing promotions in these stores. "Actions of this nature are in clear violation of our policy and will not

be tolerated. Corrective action has been taken in the involved division. Once again, I want to reinforce our

policy that we promote our products only to adult smokers. "Retail stores near high schools should be given

no special emphasis and should be worked with the normal course of frequency and with the same

programs you would give any other similar outlet, regardless of location. "Please give this matter your

immediate attention and high priority. "Sincerely, Yancey Ford."

Q. This was sent to all sales -- field sales employees?

A. Yes.

Q. Now Mrs. Beasley, does RJR -- Has it ever heard from time to time that a media placement firm has

purchased billboard space in a location that may not comply with the 500-foot limit?

A. Yes.

Q. And when R. J. Reynolds hears about that, what does it do?

A. It's infrequent, but when we hear about it, we directly deal with it. We remove the billboard and we talk

to the supplier about complying with our guidelines. If there's any pattern, then we no longer use the

supplier.

Q. Again, while you've been in senior management, have you become aware of any situations where third

parties have tried to use an RJR brand logo on a product that might be sold to children?

A. Yes.

Q. Could you turn to tabs 10 and 11, which are Exhibits AZ004701 and AZ004707. And on tab 10, is that a

letter from R. J. Reynolds dated August 10, 1992 to a company, the KK Tomy in Japan?

A. Yes.

Q. And is tab 11 a response from Tomy dated August 20 back to the individual who wrote the letter at tab

10?

A. Yes.

MR. WEBER: Your Honor, I'd move the admission of AZ004701 and AZ004707.

MR. CIRESI: No objection, Your Honor, as business records.

\*31 THE COURT: Court will receive AZ004701, AZ004707.

By MR. WEBER:

Q. Now with respect to 701, Mrs. Beasley, which is at tab 10 -- Do you have that there?

A. Yes, I do.

Q. Let me read this to you, and I want to ask you a question. It's a letter to a company in Japan; correct?

A. Yes.

Q. Signed by Mr. Bick at R. J. Reynolds.

A. Yes.

Q. And it says, "It has been brought to our attention that your firm is manufacturing toy cars that bear the well known CAMEL trademark owned worldwide by R. J. Reynolds Tobacco Company. We must insist that this infringing activity cease immediately. Then goes on. "We are particularly concerned about the use of our CAMEL trademark on toys since these items could be purchased and used by children. It is our Company's policy not to sell or advertise the sale of cigarettes to children. It is also our Company's policy not to allow the unauthorized use of our trademarks on any products but especially on items which could be purchased or used by children." Does the letter then go on to ask for a prompt response or else they'll be turned over to legal counsel?

A. Yes.

Q. Now can you turn to 702, which is in the next tab, and you'll see this under the letterhead of the company that was just written to; correct?

A. Yes.

Q. And I'm afraid some of the English here is a little fractured, but let me read this to you and I want to ask you a question. Start down at the second- to-the-last paragraph, "Though we have heard that any tobacco logo should not be affixed on any toy in North America and Europe from the near past, that trend has not filtered into Japan, yet. "But, we also agree that Camel logo should not be used on toys in the Japanese market. Therefore, we made a decision to cease sales of such motor bike toy affixed Camel logo at your proposal." And that's from the legal department at the Tomy Company, correct?

A. Yes.

Q. Now are these types of activities consistent or inconsistent with how Reynolds deals with possible breaches of its practices and policies?

A. Consistent.

Q. Now I want to talk for a moment about some documents already in evidence that were put in earlier in this case. I'd like you to turn first to tab 13, that's Exhibit 12493, and I want to ask you if that relates to a possible presentation on marketing plans made at Hilton Head in September 30, 1974?

MR. CIRESI: Move to strike the questioning, Your Honor, "possible presentation." Form of the question is inappropriate.

MR. WEBER: Well there's been no testimony that there actually was such a presentation. I was trying to be accurate.

THE COURT: Okay. Your descriptive -- Why don't you just ask a neutral question, counsel, rather than trying to describe it.



By MR. WEBER:

Q. Is this document title September 30, 1974, Hilton Head, regarding marketing plans presentation?

A. Yes.

Q. Now have you ever seen this document in the regular course of your business apart from litigation, Mrs. Beasley?

\*32 A. No. I saw it in the course of litigation over the last year and a half.

Q. Now does this document make reference to a number of proposed advertising campaigns that were to run in support of various RJR brands?

A. Yes.

Q. And for each of those ad campaigns, did I ask you to review the ads that were actually run in the national market in that referenced campaign?

A. Yes.

Q. And did you do that in the Reynolds records?

A. I did.

Q. I want to -- If you could turn first to the page Bates marked 1313, Mrs. Beasley.

A. Yes.

Q. And is that where, in the upper left-hand corner, the discussion of strategy begins?

A. Yes, it is.

Q. And is it on that page that the first specific advertising campaign is referenced?

A. Yes.

Q. Which one is that?

A. That would be the Winston "Candid" advertising campaign.

Q. That's opposite the line on chart eight?

A. Yes.

Q. Could you turn to tab 14, which is Exhibit X1409.

MR. WEBER: This is a document, Your Honor, that's previously admitted under Rule 104(b) subject to foundation from Mrs. Beasley.

Q. And what I'd ask you, Mrs. Beasley, is whether these ads on this document are representative of the ads that you reviewed -- (exhibit displayed on screens) not yet -- representative of the ads that you reviewed from the "Candid" campaign?

A. Yes, they are.

MR. CIRESI: Well Your Honor, we're going to object to any testimony of this witness with regard to what the campaign was back in 1974 through '79. She wasn't there. Unless they put in all the ads.

THE COURT: Okay. Well I think she can testify to what she saw and --

MR. WEBER: That's all I'm asking, Your Honor.

THE COURT: All right.

MR. WEBER: I move the admission of X1409, which was previously admitted under 104(b), Your Honor.

MR. CIRESI: We have no objection to the ads.

THE COURT: Court will receive 1409.

By MR. WEBER:

Q. And are these representative ads from the Winston "Candid" campaign?

A. Yes.

Q. As one who's worked in cigarette advertising and marketing for 16 years, can you describe what is being communicated in these ads, Mrs. Beasley?

MR. CIRESI: Objection, calls for expert testimony.

THE COURT: Calls for expert testimony.

MR. WEBER: Let me try to clarify my question, Your Honor.

By MR. WEBER:

Q. As an executive vice-president of marketing at R. J. Reynolds, as someone who's worked in this field for 16 years, has been involved in cigarette advertising, not as an expert but as one who works in this area, in

this business, could you describe what to you these ads are communicating in terms of cigarette marketing,

not as an expert, but in terms of cigarette marketing messages?

MR. CIRESI: That's just asking for expert testimony, Your Honor.

THE COURT: It's asking for expert testimony, counsel.

By MR. WEBER:

Q. Do these ads, based on your experience at R. J. Reynolds and the review you go through with

advertisements, do these ads appear to have adult appeal to adult smokers?

\*33 MR. CIRESI: Your Honor, I'm going to make the same objection. Ask counsel be admonished. He's

trying to ask the same question in a different form.

THE COURT: Okay. You're still asking the same question. You're asking for expert opinion.

MR. WEBER: Could I have a moment at side-bar with Your Honor on this?

By MR. WEBER:

Q. Now, Mrs. Beasley, I think I did ask you, based on your review of the ads from the "Candid" campaign,

are these representative examples from that campaign?

A. Yes, they are.

Q. Could you turn to -- go back to that document at tab 13, and if you could turn to, I believe, page 1314 --

excuse me, 1313, where they talk about a Salem improved ad campaign. Do you see that?

A. Yes.

Q. And then it talks about the refreshment campaign, the refreshment theme. Do you see that?

A. Yes.

Q. Then there's more discussion, the next page, about the refreshment campaign.

A. Yes.

Q. Correct?

A. Yes.

Q. Could you turn to tab 15, which is Exhibit X1342.

A. Yes.

Q. And did you go back and look at all the ads from the refresh campaign?

A. Yes, I did.

Q. And is X1342 a representative set of examples from that campaign?

A. Yes, they are.

MR. WEBER: Your Honor, I'd move X1342 for demonstrative purposes.

MR. CIRESI: No objection, Your Honor.

THE COURT: Court will receive 1342 for illustrative purposes.

By MR. WEBER:

Q. And these are the ads -- representative ads from the refresh campaign in '74 and '75.

A. That's right.

Q. Now if you could go back to that prior document, and at page 1314, is there a reference to another advertising campaign for Salem box cigarettes?

A. Yes.

Q. And is that referenced as the denim campaign?

A. Yes.

Q. And if you could turn to tab 16, X1291, did you review the ads from the denim campaign?

A. Yes.

Q. And are these representative examples from the denim campaign?

A. Yes, they are.

MR. WEBER: I'd move X1291 for demonstrative purposes, Your Honor.

MR. CIRESI: May we have foundation? I just want to make sure that she's saying all these were from the time period they have on here.

THE COURT: Okay. Can you clarify that, counsel?

By MR. WEBER:

Q. Are these from the Salem denim campaign?

A. These were all, yes, that -- They're not all of the ads, there were others also, but these are representative

of the Salem denim campaign.

MR. CIRESI: From that time period, '74 to '75?

THE WITNESS: Yes.

MR. CIRESI: No objection, Your Honor.

THE COURT: Court will receive X1291.

By MR. WEBER:

Q. And are these, as you just stated, Mrs. Beasley, representative examples from that campaign?

A. Yes.

Q. And are these focusing on the box?

A. Yes.

Q. Now if you'd turn back in that same document to Exhibit - - or page 1315, do you see a reference to the Meet the Turk campaign, new program for Camel Filters? And that would be page 1315, lower right-hand -

-

A. Right, I found it.

\*34 Q. Do you have that?

A. Uh-huh.

Q. And did you look at the ads for the Meet the Turk campaign?

A. Yes, I did.

Q. Could you turn to tab 17, X1356.

A. Yes.

Q. And are those the ads that ran nationally in the Meet the Turk campaign?

A. Yes.

MR. WEBER: I would move for demonstrative purposes X1356, Your Honor. It was previously admitted,

I'd note, under 104(b).

MR. CIRESI: No objection, Your Honor.

THE COURT: All right. 1356 will be received.

By MR. WEBER:

Q. And are these the national ads from the Meet the Turk campaign?

A. Yes. There were only four. These are the four.

Q. Now I want you to turn to another document, Mrs. Beasley, which is Exhibit 13101 at tab 18, which is already in evidence. Is this a memorandum dated July 22, 1980 from Mr. G. H. Long to Mr. E. A.

Horrigan?

A. Yes, it is.

Q. Had you ever seen this document in the regular course of your business at R. J. Reynolds?

A. No.

Q. Have you seen it before?

A. I saw it in the course of litigation over the last year and a half.

Q. Now did you know Mr. Long and Mr. Horrigan?

A. Yes.

Q. Did you report to them and meet with them from time to time on marketing matters?

A. Well I don't report directly to them. They ran the company. But I reported to people who reported to them.

Q. And did you meet with them from time to time?

A. Yes. I did marketing presentations to both of them.

Q. Were you ever directed by either of them, as a -- as a matter of instruction, that the company should market to people underage?

MR. CIRESI: Objection, calls for hearsay on the part of what they said.

THE COURT: Sustained.

By MR. WEBER:

Q. Based on any meeting with Mr. Horrigan or Mr. Long, did you ever develop any marketing promotion

or campaign of any type designed to appeal to underage smokers?

MR. CIRESI: The same -- same objection, Your Honor.

THE COURT: Sustained.

By MR. WEBER:

Q. Do you know -- well let me strike that. That document refers in its last line, it says, "various planned activities implemented in the fall," do you see that?

A. Yes.

Q. And that would be the fall of 1980?

A. Yes.

Q. And in the paragraph immediately before there it talks about RJR's total share declining.

A. Yes.

Q. And in the paragraph above there, there's a reference to 14- and 17- year-olds; correct?

A. Yes.

Q. Now the middle paragraph talks about total share declining, then it talks about planned activities for the fall of 1980; correct?

A. Yes.

Q. Did I ask you to review the advertising for all RJR brands in the fall of 1980?

A. Yes.

Q. Did you do so?

A. Yes.

Q. Could you turn to tab 19, Exhibit 1407. And are those representative samples of advertisements from the fall of 1980 for all Reynolds brands for national advertising?

A. Yes.

MR. WEBER: Your Honor, I'd move the admission of X1407 for demonstrative purposes.

MR. CIRESI: I have no objection, Your Honor.

\*35 THE COURT: Court will receive X1407.

By MR. WEBER:

Q. Now without giving any opinion, Mrs. Beasley, would you go through these ads, just reference the brands and the ad campaign, describe the ad campaign just generally based on your review of the ads.

MR. CIRESI: I'm going to object to that. The ads speak for themselves. She can say what the ads say, but

we don't know what the rest of the campaigns were, Your Honor.

THE COURT: Rephrase the question, counsel.

By MR. WEBER:

Q. Could you, without giving any opinion, Mrs. Beasley, go through these ads, discussing the different brands that are advertised, and without giving any opinion, just explain the nature of the ad campaign at issue based on your review of the documents.

MR. CIRESI: Your Honor, again I'm going to object to any reference to "campaign" since all we have are certain ads.

THE COURT: You'll have to rephrase the question, counsel.

By MR. WEBER:

Q. Are these ads representative of the underlying campaigns, Mrs. Beasley?

A. Yes.

MR. WEBER: May she now answer the question, Your Honor, or should --

THE COURT: She can answer that question. She already has.

MR. WEBER: Okay.

By MR. WEBER:

Q. Given these representative ads, Mrs. Beasley, could you go through each one and just describe the

campaign at issue. Without giving any expert opinion whatsoever, just describe the nature of the campaign

as you described earlier about the Beck campaign, which is the second one up there.

MR. CIRESI: Object, calls for hearsay, Your Honor, other than what these ads say.

THE COURT: We seem to be asking the same question, counsel.

MR. WEBER: Same problem with it, Your Honor?

THE COURT: Same problem.

By MR. WEBER:

Q. Let me turn now, Mrs. Beasley, to a marketing campaign that you were personally involved in, which is the Joe Camel campaign. And you mentioned to the jury earlier that you were senior brand manager of Camel in 1987 and '88, and that the Bob Beck campaign we showed earlier was still being used as the Camel campaign when you became senior brand manager in '87; correct?

A. Yes.

Q. Now did you, on becoming senior brand manager, make any decisions regarding the Bob Beck campaign?

A. Yes. We knew that it was not -- it was not a campaign that was working among adult smokers any more, they didn't find it meaningful, so we were looking for a new campaign to run.

Q. And did you undertake any research of the type you described earlier on becoming senior brand manager for Camel?

A. Yes, I did focus groups with adult smokers of Camel and adult smokers of competitive brands to find out what they thought about the brand and what they thought about Marlboro and -- and how we might develop a campaign that would make more Marlboro smokers switch to Camel.

Q. And what were the age of -- ages of the people included in this focus group?

A. We did --

Q. These focus groups.

MR. CIRESI: Your Honor, may we have a time period here?

\*36 MR. WEBER: When you were senior brand manager at Camel in '87.

A. Okay. When I was senior brand manager on Camel in 1987, we did groups among adult smokers, Camel smokers 18 years and older, and competitive smokers, smokers of other brands, 18 to 24 male smokers, 25 to 34 male smokers.

Q. And what happened -- what -- Explain what these people in the focus groups were being shown.

A. Well there was one set of -- We did many different sets of focus groups, but there was one set of focus groups in July that we were doing on Camel promotion ideas, FSI promotion ideas. And we had a lot of ideas -- I don't know, maybe 50 different ideas -- and one of the ideas that was brought along was a poster of a French Camel, and when that was shown to adult smokers, they just like loved it. They lit up. They said, "Hey, this is fun, it's entertaining, this is what you should use. And, you know, it's one of those things that when you're in marketing, it happens like once every several years where everybody in the room goes "I like this, I really like it." And it was one of those moments that just -- it's really great. And a light bulb went off in my head and I thought the Camel 75th birthday is coming up, people love this French Camel, why don't we try and make this French Camel a campaign to celebrate Camel's 75th birthday. And that was my idea, and I went to the advertising agencies and I asked them to work on a campaign that took this poster and turned it into a campaign for Joe -- to celebrate Camel's 75th birthday. And so all four agencies worked on it.

Q. Mrs. Beasley, could you turn to tab 20, which is Exhibit 24348.

A. Yes.

Q. And let me ask you whether that's a copy of an advertisement in the French magazine, that is a copy of the Camel poster that was shown to that focus group you just referred to.

A. It is.

MR. WEBER: Your Honor, I'd move 24348.

MR. CIRESI: We have no objection, Your Honor.

THE COURT: Court will receive 24348.

By MR. WEBER:

Q. Oh, there it is. And other than the language at the bottom of the advertisement, is that the poster that was shown to that focus group?

A. It is.

Q. And that's the poster that brought about that reaction you just described?

A. Right. They thought it was just really fun. You know, it's a Camel and he was smoking, and the name of the brand is Camel, and it was -- it was very positive.

Q. And what did you do next, Mrs. Beasley, in connection with working on this campaign?

A. I went to the four different advertising agencies and I -- I gave them this poster as a starting point, and I said develop a campaign to celebrate Camel's 75th birthday in the marketplace. And you should think of this guy here -- give him human characteristics and think of him as someone who is 75 years old but that you really like and is fun and you'd like to be around. So that it -- the brand was 75 years old, but treat Camel as a fun and entertaining brand.

\*37 Q. And what happened next in this process?

A. All the agencies worked on ideas and they all came back with ideas, and we did lots of rounds of focus groups where we took the ideas out to smokers and saw how they reacted to them. And we had ideas that they didn't like. I mean some of the agencies --

MR. CIRESI: Excuse me. Your Honor, once again we don't have third-party discovery of the agencies.

We'd move to strike those references.

THE COURT: Those references to the advertising agencies will be stricken.

THE WITNESS: Okay.

A. So they --

THE COURT: Ma'am, excuse me, just a moment. Why don't you wait for your counsel to ask a question.

THE WITNESS: Oh, I'm sorry.

MR. WEBER: Okay.

By MR. WEBER:

Q. Aside from what you may have heard from agencies, what did you do next in this process?

A. We took the ads and we showed them to smokers in focus groups, and then I listened to the reaction from the ads. And they liked some of them. Some of them Joe was really drawn to be really skinny and they didn't like. You know, we finally got to ads that smokers really liked, adult smokers -- we did all these groups among adult smokers -- and we got to a series of ads that all the -- all the adult smokers we were talking to really liked. So I went to management and I showed them the campaign, the head of marketing,

and recommended that we run the campaign for the 75th birthday. And --

MR. CIRESI: May we have a time for that, Your Honor?

By MR. WEBER:

Q. Mrs. Beasley, could -- What timeframe are we in here? 1987?

A. Yeah, 1987. It would have been the fall of 1987.

Q. And you went to management for approval of this idea?

A. Yes.

Q. And did you immediately get approval?

A. No.

Q. And why not?

A. No. Because all the cigarette advertising out there back then was real serious, serious situations, it

looked serious, and this -- you know, of course this was real fun and entertaining, and the head of marketing said he was really worried that Camel, particularly Camel adult smokers, would think we were making fun of their brand, that it wasn't serious enough. So I went back and I went to the factory and I went to the people who make Camel cigarettes, and they were like older -- by and large older people; we looked for people who were over 40. And I thought if anyone should have a problem with the campaign for Camel, it's been -- it will be the people who have been making it for years and years. And so we showed it to the people on the factory floor, older factory workers, and we asked them do you think we should run it or not and what do you think of it, and they loved it.

MR. CIRESI: Excuse me, Your Honor, we're going to move to strike any hearsay --  
THE COURT: Okay.

MR. CIRESI: -- unless he has documents for this.

MR. WEBER: It's purely for the effect on her, Your Honor, for the reason she made her decision, not for hearsay purposes.

THE COURT: Well I don't think she has --

\*38 I don't want her quoting what other people are saying.

By MR. WEBER:

Q. Without quoting what other people are saying, Mrs. Beasley, did the reaction you got from these older

Camel smokers and people working in the Camel production line address the issue as to whether or not

these ads would offend Camel smokers?

A. Right, they did not offend. And we also did focus groups among older adult Camel smokers to ask them

the same thing, and we found that the campaign was very well liked and very likable among Camel

smokers, adult smokers, 18 plus of all ages.

Q. Now who came up with the name Joe Camel, Mrs. Beasley?

A. Well that would be me and my team did. And we were -- We wanted this Camel to have a name, and we

-- I -- my vision for him was that he was an average kind of guy that the average smoker could relate to,

and of course you know the phrase "the average Joe," and so that was part of the reason. The other reason

was back in 1913 when Camel was created, there was a Camel animal on the pack, there still is, but back

then they took a photograph of a circus animal, a Camel, and the name of the animal was Joe. So we

thought, well, it's part of the history, 1913, Joe, and it's an average Joe, so we created an ad where we -- it

was one of those blue work shirts, and you know how the name is embroidered on the blue work shirt and

we embroidered a name in the ad Joe. And that's how he became known as Joe.

Q. Now as the individual responsible for developing this, what age demographics did you have in mind for

this campaign?

A. The age demographics that we looked at were 18 to 24 in male smokers of competitive brands, 25 to 34

male smokers of competitive brands, and Camel smokers 18 years and older, and that's who we did the

research among.

Q. Now when you developed the idea for the campaign, were aware of other adult products that were

marketed with advertising containing illustrations or illustrated characters?

A. Yes.

Q. And since then have you become aware of still others during the course of the Camel campaign?

A. Yes, I have.

Q. Could you turn to tab 21, X2419A. And is that a demonstrative that would assist you with respect to the issue of the use of illustrated characters?

A. Yes.

MR. WEBER: Your Honor, I'd move the admission of X2419A.

MR. CIRESI: Your Honor, I think we faced this before. This is irrelevant. I think we saw this before. Was this offered before, counsel?

MR. WEBER: Well it was actually discussed with Professor Perry and the point at the time was not to use the demonstrative with one of your witnesses. So --

MR. CIRESI: We'd object to it as being irrelevant, Your Honor.

THE COURT: All right. Court will receive X2419A.

By MR. WEBER:

Q. Now with respect to X2419A, could you just briefly, Mrs. Beasley, reference the various characters and the product they're associated with.

A. Sure. These characters are often used for adult products because it makes it more memorable and you can recall the ads better, and so a lot of adult products use these characters, like Speedy Alka Seltzer and the Michelin Tire guy, you know, who's all puffed up, white tire guy. And Exxon Tiger guy, you know, get a tiger in your tank. And Bugs Bunny advertises Holiday Inn. There's the Dow Scrubbing Bubbles which -- you know, their commercials were with all kinds of those little scrubbing bubbles cleaning around. Garfield the Cat advertises Embassy Suite Hotels. And of course a classic in advertising is Mr. Clean. The Pink Panther is used to advertise Owens-Corning Fiberglas insulation. Met Life Insurance Company uses Snoopy to advertise their insurance products. The Sprint people use the Jetsons to advertise the Sprint products. And the Vlasic Stork is used to advertise Vlasic Pickles.

\*39 Q. Now would you turn to tab 22, Mrs. Beasley, which is Exhibit BYG000365, already in evidence.

A. Yes.

Q. And can you identify that for us.

A. Yes. This is an ad for the Minnesota State Lottery that uses the Bullwinkle character to advertise the Minnesota State Lottery.

Q. What's the legal age for purchase of lottery tickets in Minnesota?

MR. CIRESI: Objection, Your Honor, it's irrelevant.

THE COURT: You can answer that.

A. Eighteen.

MR. WEBER: Now Your Honor, this might be a good time from our perspective to take a break. We're moving into slightly different topic. I don't know what the court has planned for lunch.

THE COURT: It's a bad time for me.

MR. WEBER: Okay. Now -- I knew we'd get there eventually.

THE COURT: I don't mean to break it up, but we have a juror that has a time problem, and I would like to go until like quarter to 1:00.

MR. WEBER: Okay.

THE COURT: Would that be all right, counsel?

MR. WEBER: Certainly. That's fine.

THE COURT: Let's --

By MR. WEBER:

Q. Mrs. Beasley, as the 75th birthday campaign developed, were any guidelines set for it as to how that campaign was to be executed?



A. Yes.

Q. Could you turn to tab 23, Exhibit AM001453.

A. Yes, I'm there.

MR. WEBER: And this was a document previously admitted under 104(b), Your Honor, subject to additional foundation.

MR. CIRESI: No --

Q. Is this --

MR. WEBER: I'm sorry?

MR. CIRESI: No objection.

MR. WEBER: Oh, okay.

THE COURT: Court will -- court will receive AM001453.

By MR. WEBER:

Q. Now Mrs. Beasley, this is a document relating to Camel's 75th birthday plan and it's dated August 25, 1987.

A. Yes.

Q. Were you the brand manager for Camel at the time?

A. Yes. This woman who wrote it, she worked for me.

Q. All right. Now -- And if we can read that first paragraph -- I'll try to bring it up just a little -- it says,

"This memo outlines those creative concepts Brand would like developed for the 75th Birthday Plan as well as additional directions and next steps. As you are aware, 1st Quarter 1988 has been designated for Camel's 75th Birthday celebration and subsequently all promotion/media/advertising featured during this time will leverage this occasion." And then it goes on to a series of directions and -- and ideas; correct?

A. Yes.

Q. Now under the 75th birthday logo, --

A. Yes.

Q. -- what was the 75th birthday logo?

A. That was where we took the Joe Camel character we created and we took his head and we had his head bursting through a pyramid. Because on the Camel pack there's a pyramid and palm trees, so we had it like these elements came from the Camel pack, the pyramid and palm trees, and the new Joe Camel was bursting through them. So it was kind of a combination of the classic pack and the new Joe Camel.

Q. And was there anything listed there to be avoided in connection with the logo?

A. Yes.

Q. And what was that?

\*40 A. We wanted to avoid any appearance of a punk, new wave look.

Q. And why was that, Mrs. Beasley?

A. That was because when we were doing focus groups and we were showing adult male smokers the ads, we had a series of ads which had Joe with punk hair, pink punk hair standing on end, and the people in the focus group -- When we do focus groups, we ask people if this advertising is for them, for people their age, for people older than them, or for people younger than them, and people said it was for people younger than them, this punk look. So we wanted to completely eliminate it and make sure that no one was developing ideas around that look.

Q. Then was one of the things that was used in introducing that campaign a singing birthday card?

A. Yes.

Q. And was there anything to be avoided with respect to the singing birthday card?

A. Yes. Again this says items that appear too youthful should be avoided such as birthday hats and party

favours.

Q. That doesn't mean that adults don't use birthday hats and party favors; does it?

A. No. But when we showed the ideas to focus groups, again, when we had party hats and favors in the ad,

the people in the focus groups said no, that would appeal to people younger than just -

MR. CIRESI: Excuse me. Your Honor, I'm going to move to strike. This is hearsay. No documents.

THE COURT: Yeah. I think you should avoid quoting other people that are not present here so they don't

have the opportunity to be cross-examined by Mr. Ciresi.

By MR. WEBER:

Q. With respect to the party favor-type ads or executions, what did -- without quoting anyone, what was

your learning from the focus groups?

MR. CIRESI: Same objection, Your Honor.

THE COURT: Well you can answer that.

A. We learned that if you -- that we wanted to avoid birthday hats and party favors because it might appear

to make the ad too young.

Q. Now can you turn to tab 24, Mrs. Beasley. And -- and that includes Exhibits 15779 and 15808.

A. Yes.

Q. And let me ask you whether those are ads from the Joe Camel 75th birthday campaign?

A. Yes, they are.

MR. WEBER: Move the admission of 15779 and 15808, Your Honor.

MR. CIRESI: No objection, Your Honor.

THE COURT: I'm having a difficult time seeing the number on the exhibit.

MR. WEBER: These were -- you should have in your binder, Your Honor, the exhibits behind -- with the --

These are numbers that the plaintiff put on them, and the exhibit number is on the xerox copy behind the

color copy, I think maybe the third page in for the first ad.

THE COURT: All right. So you're using -- introducing 15808 as a three-page exhibit then; is that --

MR. WEBER: Right. I'm introducing the color version of it.

THE COURT: As 15808?

MR. WEBER: Yes, Your Honor.

THE COURT: Okay.

MR. CIRESI: I only have two pages. I thought it was the same. Is the color one the third one; is that what

you're saying?

MR. WEBER: It is just -- it is just two pages. Then the next one, Your Honor, is --

\*41 THE COURT: Black-and-white version, right. I have -- I have something in between.

MR. WEBER: Yeah. The next one is the black-and-white two- page version --

THE COURT: Okay.

MR. WEBER: -- that's been marked as 15808.

THE COURT: All right.

MR. WEBER: And then the next one is merely the colored version of what's been marked as 15779.

THE COURT: Okay.

MR. CIRESI: And that's four pages; correct?

MR. WEBER: Right.

MR. CIRESI: Okay. No objection then.

THE COURT: All right. They'll be received.

By MR. WEBER:

Q. Now this is 15 -- This is a page from Exhibit 15779, Mrs. Beasley. Is this the Camel 75th -- It should be

the last of the color pages you have.

A. Okay.

Q. It's also on the monitor.

A. I see it. That's fine.

Q. Is this the Camel 75th birthday logo you were talking about?

A. Yes, it is.

Q. And --

A. You see -- I'm sorry.

Q. I'm sorry.

A. It has the pyramid. See how the head is popping through the pyramid? That's the pyramid from the Camel pack, and the palm trees around it are the palm trees from the Camel pack, and then the Camel pack logo there, that comes from the Camel pack, that logo.

Q. Now this particular ad was coming at the end of the 75th birthday campaign?

A. Yes. This is an ad when we were finishing off the 75th birthday campaign.

Q. And was this an ad that not only advertised the brand, but also communicated a promotion?

A. That's right.

Q. And what age group was this promotion directed toward or limited to?

A. Twenty-one-plus adult smokers.

Q. Now can you also go now to 15808. And is this another ad from the 75th birthday campaign?

A. It is.

Q. And same logo down in the lower right?

A. That's right.

Q. And what is -- Although it's hard to see on the large monitor, it's probably easier on the small one, what is the cigarette pack that's displayed in the lower right?

A. Camel Light.

Q. Why is Camel Lights placed there?

A. One of the big problems we had with Camel is that it was considered to be a really harsh, bad-tasting brand, even though it wasn't. I mean it -- On a blind basis when they didn't know what the brand name was, adult smokers said it was good, but when we put the Camel name on it, they thought it was harsh. And also a lot of them didn't know it had filters, so we were trying to reinforce that Camel has light styles and it has filters. So you see in the pack of cigarettes there that the cigarettes are coming out to show the filters, and we're emphasizing the light style so that people will be aware that, you know, Camel really does have light products.

Q. And did all of these ads in the 75th birthday campaign carry the appropriate Surgeon General warnings?

A. Yes.

Q. Now did the birthday ad campaign go on as the ongoing campaign, or did it eventually involve into something else?

A. We -- Well it's just to celebrate the birthday, so you only have that, you know, going that year, that 75th birthday. But what we did, because it was -- because adult smokers liked it so well, we turned it into an ongoing campaign. So we took the 75th birthday part out of it and we turned it into a campaign to use on -- on an ongoing basis.

\*42 Q. And what was that campaign?

A. That was "Smooth character."

Q. Can you turn to tab 25, Mrs. Beasley, --

A. Yes.

Q. -- and identify Exhibits 15787, 15797 and 15800. Ads from the Joe Camel smooth character campaign?

A. Yes.

MR. WEBER: Your Honor, those are set up the same way as the prior set was, Your Honor.  
THE COURT: All right.

MR. WEBER: I'd move the admission of 15787, 15797 and 15800, Your Honor.

MR. CIRESI: No objection, Your Honor.

THE COURT: Court will receive 15787, 15797 and 15800, or eight zero zero.

By MR. WEBER:

Q. Now this is -- We're displaying now for the ladies and gentlemen of the jury 15787. Was this a copy of the ad that was in that version of People Magazine we discussed earlier?

A. Yes.

Q. Can you explain to us again what cigarette pack is shown there, and explain to us the purpose behind the smooth character line.

A. Sure. This is our Camel Filters pack, which is -- again we were emphasizing the filters, so we had the filters coming out of the pack so people could see that we had them, and we used the smooth character line because, again, we had this perception that we had a really harsh product, and we wanted the smokers to know that our products were not harsh, they were smooth. But they still tasted good. They had character and they still tasted good. So smooth character said we have a smooth product. But it had double meaning, too, which is why we really loved the name, because it spoke to product and smokers got that it spoke to the product, but it also smoked -- spoke to Joe, he's a smooth character, the product has smooth character. So it really worked well for both purposes.

Q. Could we look at 15797 now.

A. Yes.

Q. And with any luck we'll get that up on the monitor. All right. Is this another of the smooth character?

A. It is.

Q. And what cigarettes -- a little bit hard on the big monitor, but what cigarettes are being displayed there?

A. These are Camel Lights. Again we're emphasizing our light style, and the line "Smooth character" goes right to the pack to say that this product is smooth.

Q. And could you -- Could we now look at 15800. And again, what ad -- what product is being advertised here?

A. Camel Lights.

Q. These were all part of the same ongoing Joe Camel campaign?

A. Yes.

Q. Now were all of these ads tested in research groups before used?

A. Yes.

Q. What ages in those groups?

A. We did for the original campaign development 18 to 24 male, 25 to 34 male competitive smokers, and then Camel smokers 18 plus. Obviously when we changed in 1992 to only 21 plus, then we only started doing groups among 21 plus. And then at -- I don't remember the exact year, but we also included women at one of the years. I don't remember the exact year. Probably in the early '90s.

Q. Now were ads from time to time rejected because of focus group reactions?

A. Oh, yes.

Q. What are some of the reasons for which ads might be rejected?

\*43 A. Well the number one reason is people don't like it. You do a lot of ad ideas that people just don't like. But it was also rejected because it wouldn't communicate the right thing. You know, it might be an ad where we're trying to say the product is smooth and people don't get it. Another reason that we rejected it is if the people we were talking to felt that it was not for people their age, it was for people younger than them or for people older than them, because we wanted to develop advertising that appealed to people the age we

were talking to, which was 18 to 24 male smokers of competitive brands and 25 to 34.  
Q. Were ads rejected if focus groups reported that they thought the ads were for people younger than them?

A. Yes.

Q. Now could you turn to tab 26. It's another document already in evidence, Exhibit 15650, '651 and '652.

It's marked in a series of three pages. And this was shown to the jury earlier in this case, and that was the  
bored, lonely and restless ad, 15650.

A. Yes.

Q. And that was advertising a promotion; correct?

A. Yes.

Q. And that's 15651.

A. Yes.

Q. And the promotion dealt with redeeming coupons?

A. Yes.

Q. And had a coupon on it?

A. Yes.

Q. Was this particular ad subjected to criticism when it came out?

A. Yes.

Q. What was the criticism?

A. Criticism was twofold: one, that it was offensive to women because of the way the words were in the ad;

and two, we were trying to talk to -- it was to younger adult males who won't normally use coupons, so we

were trying to make a joke out of it, and that was accused of trying to get other people to redeem coupons.

You know, my opinion is that the criticism was --

MR. CIRESI: Excuse me, Your Honor, --

THE WITNESS: Oh.

MR. CIRESI: -- we're going to move to strike any opinion calling for expert testimony.

THE COURT: Sustained.

By MR. WEBER:

Q. Now what did RJR do in response to that criticism? Did it keep the ad on the market?

A. No. It was pulled immediately.

Q. And did RJR so advise the public?

A. Yes.

Q. Did RJR do anything else in response to the situation created by this ad?

A. Yes, we did. In addition to the apology to the public because it shouldn't have run, our president and

CEO put -- that's when we put the ad review panel in in our company. He said, well, since marketing

people didn't catch this and they should have, we're going to add another step to the review process, and

that step is going to be to have non-marketing people look at the ads, and they're going to be people who represent --

MR. CIRESI: Excuse me. She's testifying as to what somebody else was saying, Your Honor. It's hearsay.

MR. WEBER: Let me come at it a different way.

By MR. WEBER:

Q. Turn to tab 28, if you would, Mrs. Beasley.

A. Sure.

Q. And is this a document dated February 1, 1990 --

A. Yes.

Q. -- from Mr. McKenna to a group of people?

A. Yes.

Q. Does it deal with the advertising review panel?

\*44 A. Yes, it does.

Q. And does this discuss the panel you've just been referencing?

A. Yes.

MR. WEBER: Your Honor, I'd move the admission of --

Q. Was it created and maintained in the regular course of Reynolds business?

A. Yes.

MR. WEBER: I'd move the admission of Exhibit 12988.

MR. CIRESI: 12988?

MR. WEBER: Yes. I'm sorry, did I not mention that before?

MR. CIRESI: That's all right, we'll get to it. No objection, Your Honor.

THE COURT: Court will receive 12988.

By MR. WEBER:

Q. All right, now, Mrs. Beasley, is this a document that deals with the advertising review panel?

A. Yes, it does.

Q. Okay. And let me read this to you and then I want to ask you a question. "As you know," it says,

"subject panel has been established to augment our internal advertising review in order to ensure that RJRT

advertising does not offend key consumer groups, specifically: "Minorities "Women (sexist) "Parents of

children below the age of 18," and then two bullets under that "Too youth oriented" or "Encouraging youth

to smoke." And then goes on to talk about meetings for the panel. And this advertising panel was formed in

1990?

A. Yes.

Q. And who were the -- What were the types of people that were put on the advertising review panel?

A. They're non-marketing people. They can't be in the marketing department. And then we looked for

people who were parents, so we hit that. We looked for men and women and African Americans and white

and people of a broad range. And then every so often people are rotated to keep a fresh perspective, so, you

know, over time if you're looking at advertising a lot, then you start to thinking about advertising

differently, so we keep rotating different people on it to ensure that it stays fresh.

MR. WEBER: Your Honor, is this --

THE COURT: All right. Why don't -- We'll recess and then we'll reconvene at 2:30 this afternoon.

THE CLERK: Court stands in recess, to reconvene at 2:30.

(Recess taken.) AFTERNOON SESSION.

THE CLERK: Rise please. Court is again in session.

(Jury enters the courtroom.)

THE CLERK: You may be seated.

THE COURT: Counsel.

MR. WEBER: Thank you, Your Honor. Your Honor, during the noon hour I marked just for the record so

it's clear as Trial Exhibit 50005, 50005, the blowup chart that was used with the jury from Exhibit

AG000093, and I'd like to move that in just for demonstrative purposes for the record.

MR. CIRESI: No objection, Your Honor.

THE COURT: Court will receive 50005 for demonstrative purposes.

By MR. WEBER:

Q. Mrs. Beasley, could you turn to tab 29, which is Exhibit 14784. It's already in evidence. And this is an

advertisement that was discussed during the testimony of Professor Perry. Do you remember this

advertisement?

A. Yes.

Q. And did it relate to a promotion in association with Ticketmaster?

A. Yes.

Q. All right. And did the promotion say what the age restriction on it was?

A. Yes.

Q. And what was that?

A. It says offer restricted to smokers 21 years of age or older.

Q. Now before this promotion was put into media and advertised, was it tested in focus groups?

A. Yes.

Q. What were the ages of the people in the focus groups?

A. It was adult smokers 21 plus.

Q. Now -- And before this promotion began, did RJR check the demographics of Ticketmaster?

A. Yes. Before we ran the promotion we met with Ticketmaster and we asked for them on data, and they provided data to us that 90 percent of those people who buy Ticketmaster tickets are over the age of 21.

And that was a key criteria in our decision to run it, in that it was an adult promotion.

Q. And what was that percentage?

A. Ninety percent of the people who buy Ticketmaster tickets are over the age of 21.

Q. Now was the Joe Camel campaign successful with respect to the groups that you had in mind when you conceived and developed the campaign?

A. Yes, it was.

Q. Can you explain that.

A. Sure. If you'll recall, I said that our target was 18 to 24 adult smokers, and our share among 18 to 24

adult smokers from 1987 to 1994 grew from three share points to 10 share points, and our share among 25-

to 34-year-old adult smokers grew from three share points to five share points in that same time period, and

our share of smoker among 35- to 49-year-old smokers grew from two share points to three share points.

\*2 Q. Now did the Joe Camel campaign win any award or recognition in the advertising community for being popular among adults?

A. Yes. A company that does a surveying of print campaigns among all adults in the United States, every year surveys what the most popular campaigns are among all adults across all product categories every year, and from the time the campaign started in 1988 and for every year after that, among all adults in the country, the Joe Camel campaign was among the 10 most popular campaigns in the country among adults.

Q. Could you turn to tab 30, Mrs. Beasley, which is Exhibit AM002660 --

A. Yes.

Q. -- and ask you if that's a publication from Video Storyboard entitled "Commercial Break," reporting on the top 10 print campaigns for 1990?

A. Yes, it is.

MR. WEBER: Your Honor, I'd move the admission of AM002660.

MR. CIRESI: It's hearsay, Your Honor.

MR. WEBER: I'm moving it for the non-hearsay purpose, Your Honor. Just establishing that the award was

given and the reasons therefor, not that it was in fact one of -- one of the best campaigns. So it's a non-hearsay purpose. It's not for the truth of the matter, simply for the fact of the action reflected therein.

MR. CIRESI: Still hearsay, Your Honor.

THE COURT: It's hearsay.

By MR. WEBER:

Q. Mrs. Beasley, are you familiar with the concept of line extensions in cigarette marketing?

A. Yes.

Q. What are line extensions?

A. That's where you have a brand name like Salem and then you have many styles of Salem, you have

Salems in a soft pack, you have Salems in a box, you have Salems that are longer and Salems that are

shorter, Salems that are full- flavored, Salems that are lights. It's all the different kinds of a brand you have.

Q. And were there line extensions for the Camel brand during the Joe Camel campaign?

A. Yes.

Q. What types of line extensions were there?

A. We did line extensions like we had -- we had -- currently had the box styles and we advertised those,

and we did a special lights line extension and a wides line extension.

Q. Can you turn to tab 31, which has three exhibits, Exhibits ASP000027, --

A. Uh-huh, yes.

Q. -- ASP000025 and ASP000024, and the question I'll ask for each is the same for each: Are these copies

of advertisements that were used in the Joe Camel campaign with respect to line extensions in the Camel

brands?

A. Yes.

MR. WEBER: Your Honor, we'd move the admission of ASP000024, '25 and '27.

MR. CIRESI: No objection to any of the three, Your Honor.

THE COURT: All right, court will receive ASP000025 through '27 -- '25 and '27 and '24.

By MR. WEBER:

Q. All right. Now the one that's being displayed there is 000027.

A. Yes.

Q. Correct?

A. Yes.

Q. And what's the line extension and what is the cigarette that's being displayed in the front of the ad?

A. This is for the hard pack, which are box style cigarettes. Come in soft pack, which is a soft pack, and

then box, which is a harder, firmer pack. And we had box styles, and people were not very aware of them,

so we specifically created ads to advertise our box style line extensions. And that's what this is.

\*3 Q. And what's the meaning of the hard pack language?

A. Well the hard pack meaning the pack is hard, it's firm, as opposed to the soft pack.

Q. All right. And the next? Now is this an advertisement, ASP000025, for Camel Wides?

A. Yes.

Q. And what were Camel Wides? Is that a line extension of Camel?

A. Yes, this is a line extension of Camel. Instead of being the standard circumference of a cigarette, it was a

little wider than a normal cigarette, and by making it a little wider, it made it actually taste smoother.

MR. CIRESI: Well -- excuse me. I'm going to move to strike that. There's no foundation for that.

THE COURT: There's no foundation for that.

By MR. WEBER:

Q. Do you have an understanding that you gained in the regular course of your business as to what

Reynolds believed the differentiation of the Camel Wide product was?

A. Yes.

Q. And what is that?

MR. CIRESI: Same objection, Your Honor.

THE COURT: Same ruling.

Q. And can we go to 24. And with respect to Exhibit ASP000024, can you take a look at that, Mrs. Beasley,

and describe the cigarette pack in the foreground and the line extension here.

A. Yes. This is the Camel Special Lights line extension. And the Marlboro brand on their lights product

have a white filter tip, and the Camel ones have a brown filter tip, and we found out that some people

weren't switching because they wanted the white filter and not the brown filter, and so we created a new

line extension so -- with white filters, so now we have Camel would have lights that have brown filters and

they have lights that have white filters so that Marlboro smokers would switch to Camel. And it says "Taste



Camel in a whole new light." It says "Special mild blend." Again, we're reinforcing that Camel stands for smoothness.

Q. And did all these advertisements for Camel, line extensions and regular Camel, carry the Surgeon General's warning?

A. Yes.

Q. Let's talk for a minute about Camel Wides. Are you familiar with the process on how Camel Wides came to be developed?

A. Yes, I am.

Q. Were you involved in that process?

A. Yes.

Q. Can you please tell the jury what your understanding of that is.

MR. CIRESI: Well Your Honor, there's no foundation for her to have any expertise in the development of cigarettes.

THE COURT: The objection is sustained.

By MR. WEBER:

Q. Without talking about the scientific or technological development, were you involved in the group that was involved in the development of marketing for the Camel Wide product?

A. Yes.

Q. And what I'd like to do is ask -- focus you on that, Mrs. Beasley. What was the name of that project at Reynolds?

A. Project LF.

Q. LF?

A. LF.

Q. And could you turn to a document that's in evidence at tab 32, Exhibit 24145.

A. Yes.

Q. This is a document already in evidence dated October 15th, 1987. Were you senior brand manager of Camel at the time?

\*4 A. Yes, I was.

Q. And did project LF eventually go to market and become commercialized?

A. Yes, it did.

Q. And what was it commercialized as?

A. Camel Wides.

Q. So project LF is the Camel Wide product?

A. Yes. It was developed as both a new brand and also as a Camel line extension. The new brands section was looking at it for a new brand, and what we found out is that there would not be enough switchers for a solo new brand, so we decided to do it as a line extension on Camel.

Q. Now I'd like to direct your attention to the beginning of this memorandum. It says, "As discussed, this Brand -- the Brand will explore introducing Project LF in 13 priority regions rather than a traditional national launch as is currently planned for January 1989." Then it says, "Project LF is a wider circumference non- menthol cigarette targeted at younger adult male smoker (primarily 13-24 year old male Marlboro smokers)." Now based on your involvement in Project LF, was that -- was the demographic for Project LF 13 to 24?

A. No.

MR. CIRESI: Objection, your -- excuse me. Objection, Your Honor, there's no foundation for this witness.

She neither authored nor received nor was a carbon recipient of this document.

THE COURT: Okay. The objection is sustained.

By MR. WEBER:

Q. Mrs. Beasley, were you involved in this very project at this very time?

A. Yes.

Q. And was your involvement on the marketing end of this project?

A. Yes.

Q. And were you aware at this very time on this very project as to what the demographics for this product was?

A. Yes.

Q. Were -- Did the demographics include from the marketing standpoint 13- to 24-year-olds?

MR. CIRESI: Objection, Your Honor, there's no foundation.

THE COURT: Sustained.

By MR. WEBER:

Q. Did you know at the time as senior brand manager for Camel what the demographic was for Project LF?

A. Yes.

Q. What was the demographic?

MR. CIRESI: Same objection, Your Honor, unless he's asking just for her understanding.

THE COURT: Does she want to give her understanding?

MR. WEBER: On what she knew at the time being involved in this project, yes.

THE COURT: Okay. Not with regard to this exhibit.

MR. WEBER: All right.

By MR. WEBER:

Q. What was your understanding at the time with respect to this very project?

A. The target for this project was 18 to 34 male adult smokers with an emphasis on 18 to 24 male adult smokers.

Q. Now could you turn to tab 33, Mrs. Beasley.

A. Yes.

Q. And is this a document -- By the way, the date of that last document was October 13, is it, 1987?

A. Looks like October 15 to me.

Q. Fifteen, 1987. Okay. Could you turn to tab 33.

A. Yes.

Q. Is this a document -- It's AZ008920.

A. Yes.

Q. Is this a document on Project LF dated September 11, 1987?

A. Yes.

Q. And does it deal with marketing activities at the time?

A. Yes.

Q. And was it --

\*5 Was this document created and maintained in the regular course of business at Reynolds?

A. Yes.

MR. WEBER: Your Honor, I'd move the admission of AZ008920.

MR. CIRESI: No objection, Your Honor.

THE COURT: Court will receive AZ008920.

By MR. WEBER:

Q. And now this document was about a month before the one we just looked at?

A. Yes.

Q. And at the top it refers to Project LF?

A. Yes.

Q. And does it right at the beginning refer to the target audience?

A. Yes.

Q. And what is that?

A. It says 18 to 34 male non-menthol 80- to 85-millimeter full flavor/full flavor low tar smokers with primary emphasis on the 18-to-24 age group.

Q. Now could you turn to tab 34, Mrs. Beasley, and that's Exhibit AZ008921, and is that a similar document on Project LF dated October 23, 1987?

A. Yes, it is.

Q. And was this created and maintained in the regular course of business?

A. Yes, it was.

MR. WEBER: Your Honor, I'd move the admission of AZ008921.

MR. CIRESI: No objection, Your Honor.

THE COURT: Court will receive AZ008921.

By MR. WEBER:

Q. Now this is -- Just let me get my dates straight. This is about five weeks after the exhibit we just looked at and about one week after the exhibit that had the 13 to 24 reference.

A. Yes.

Q. All right. Now is this another document on Project LF?

A. Yes, it is.

Q. And what was the target for Project LF?

A. Eighteen to 34 male non-menthol 80- to 85-millimeter full flavor/full flavor low tar smokers with primary emphasis on the 18- to-24 age group.

Q. As someone who was involved in Project LF and who was senior brand manager of Camel at the time, is this statement of 18 to 34 males, et cetera, as you went ahead and described it, is that what was in fact the demographic group for Project LF?

MR. CIRESI: Objection, Your Honor, there's no indication she received any of these. She can give her understanding, but --

THE COURT: Okay. Do you want to rephrase that?

By MR. WEBER:

Q. Well even without reference to these particular documents, as someone who was involved in the project, what was your understanding of the target group?

A. It was 18 to 34 male smokers with an emphasis on 18 to 24 male smokers.

Q. And what's your understanding as to the sequence of documents between the one in September we

looked at that had 18 to 24, the one in October that had the 13 reference, and the ones thereafter that had 18 to 24?

MR. CIRESI: Objection to the form of the question, Your Honor.

THE COURT: Sustained.

By MR. WEBER:

Q. Did you go back and look at Project LF documents to determine whether that 13-year-old age reference

was consistent with the rest of the documents or inconsistent?

MR. CIRESI: Objection, Your Honor, there's no foundation.

THE COURT: Sustained.

Q. Let me see if I can break it down, Your Honor. Did you go back and look at LF documents to see

whether that 13-year-old age reference appeared in other LF documents?

\*6 A. Yes.

Q. Does it?

A. No.

MR. CIRESI: Well Your Honor, I'm going to move to strike. There's no foundation for the documents.

THE COURT: Okay. Can you -- I'll strike it unless you can show what documents we're talking about.

MR. WEBER: You mean the actual documents she reviewed, show them right now? Is that --

THE COURT: That's right.

MR. WEBER: Okay. I don't have those here, so --

By MR. WEBER:

Q. Now Joe Camel is no longer used by RJR.

MR. CIRESI: Objection, Your Honor, it's beyond the scope of discovery.

THE COURT: The objection is sustained.

MR. WEBER: Your Honor, can I have a moment at side-bar on that issue?

THE COURT: Sure.

By MR. WEBER:

Q. Mrs. Beasley, as a senior member of management at RJR and as the person who conceived and

developed the Joe Camel campaign, did you as part of your regular business activity keep abreast of the public reaction to that campaign?

A. Yes.

Q. Including critical comments about the campaign?

A. Yes.

Q. Did you also review articles and publications and journals about the Joe Camel campaign?

A. Yes.

Q. Did there come to be a time when, as part of your job responsibilities, you became aware of allegations that the Joe Camel logo figure was recognizable to younger children?

A. Yes.

Q. Did other members of management become aware of that as well?

A. Yes.

Q. And what did -- What was your understanding of that criticism?

A. There was an article that was published in the Journal of the American Medical Association in 1991 that said that -- I believe it was three -- yes, it was three- to six-year-olds recognized the Joe Camel logo the same as Mickey Mouse. That was the article I read.

Q. And did that criticism -- Do you have an understanding whether that criticism looked at the issue of beyond recognition, as to whether -- what the attitudes of those children towards smoking was?

MR. CIRESI: Your Honor, may we have the document? This calls for hearsay at this point.

THE COURT: Can we -- yeah. Can we get the document?

MR. WEBER: I don't have that document designated. I just want to get her understanding as a member of

management as to what they were being criticized for, Your Honor.

THE COURT: Is this a plaintiffs' exhibit?

MR. WEBER: I don't believe it is.

MR. CIRESI: It's not here.

THE COURT: Anybody's exhibit?

MR. WEBER: I don't think it's anybody's.

MR. CIRESI: Not that I'm aware of.

MR. WEBER: I just want it for the non-hearsay purpose of their understanding of what they were being criticized for.

THE COURT: Wait a minute. If she's going to start talking in detail about an article, let's have the article.

MR. WEBER: So that last question was the only one I was going to ask on that, then, because I don't want to get into detail, I just --

THE COURT: Ask the question again.

MR. WEBER: Okay.

By MR. WEBER:

Q. And did that criticism --

\*7 Do you have an understanding whether that criticism looked at the issue beyond recognition of the character, as to whether or not children's attitudes towards smoking or cigarettes had changed? That's the question.

MR. CIRESI: Same objection, Your Honor, calls for hearsay.

THE COURT: All right. I'll allow that question.

A. No, what the -- My understanding is that it looked only at recognition, it did not look at the important question of what attitudes, even having recognized the Joe Camel logo, what attitudes then do children

have towards smoking, and does that change the attitude they have toward smoking.

MR. CIRESI: I move to strike the latter portion.

THE COURT: Yes, the last part will be stricken, except for the affirmative response.

By MR. WEBER:

Q. Did -- Do you have an understanding, as someone who practices in the marketing area, as to whether recognition of an ad equates to approval or liking of the product?

MR. CIRESI: Again, Your Honor, we're getting into an area of expert testimony. She's not been offered as an expert.

THE COURT: Well I'll allow that. You can answer that.

A. No. I mean obviously just because you have seen an ad and can recall it does not mean that you like the product or have positive attitudes towards the product.

Q. Now what did RJR do in response to this criticism that you just referred to about the recognizability of the Camel logo?

A. We took the criticism very seriously. It was a big concern to us and we wanted to know that if -- because children recognized the Joe Camel campaign, did that make them have positive attitudes towards smoking, did it change their attitudes. So we commissioned two studies to be done by -- one by Professor Mizersky at Florida State University, he's a marketing professor, to look at the recognition of Joe Camel among that same age group and find out, if they recognized Joe Camel, do they have more positive attitudes towards smoking or not. And he found that in fact --

MR. CIRESI: Excuse me, Your Honor. Once again we're getting into hearsay.

MR. WEBER: Before -- stop right there for a moment, --

THE WITNESS: Okay.

MR. WEBER -- Mrs. Beasley.

Q. You said you commissioned two studies?

A. Yes.

Q. Without describing the results now, can you -- can you -- What was the other study that was commissioned?

A. Okay. The first study was Professor Mizerski's study, and that was logo recognition and attitudes towards smoking among young children. And then the second study was a Roper survey, it's a national research company that does surveys, and that was a survey among 10- to 17-year-olds to assess the same thing, which is do they recognize the Joe Camel logo and does that change their attitudes towards smoking.

Q. Now did Reynolds management, including you, take the results of these surveys or these studies into account in making decisions regarding Joe Camel?

A. Absolutely.

Q. And were the results of these two studies made public?

\*8 A. Yes, they were.

Q. Could you turn to tab 42. And is this the -- I'm sorry, it's Exhibit 24148. And is this the result of the advertising character and slogan survey by the Roper Organization dated November 1993?

A. Yes, it is.

Q. And did Reynolds management take the results of this into account in their business decisions?

A. Yes, they did.

MR. WEBER: Your Honor, I'd move the admission of 24148.

MR. CIRESI: It's hearsay, Your Honor.

THE COURT: It's hearsay.

MR. WEBER: Your Honor, if I might just for a moment, in accordance with pages 207 and 209 of the

Minnesota Courtroom Handbook, I'm offering it solely for its effect on Reynolds' business decisions and to

explain the reasons therefor, which expressly is non-hearsay under Rule 801. Obviously we could have a

limiting instruction if you feel appropriate, but that's the only purpose I'm offering it for. The witness has testified that they took it into consideration, and on page 207, 209 of the handbook, it's clear explaining reasons for actions is non-hearsay.

MR. CIRESI: Your Honor, this is entered for the truth or falsity, not for taking business action.

THE COURT: I don't see how it could do it without the truth or falsity of the survey.

MR. WEBER: Can I --

THE COURT: The whole thing is full of that.

MR. WEBER: Well may I -- may I make the offer that it will go in on a limiting instruction, solely for its effect on Reynolds in making its business decisions, not for its truth or falsity?

THE COURT: Not this whole exhibit.

MR. WEBER: May I offer just on the summary, then, on pages 345, Your Honor. Well wait a second. I'm

sorry. The summary is page vi and vii, small Roman numerals.

THE COURT: What pages?

MR. WEBER: It's vi -- it -- maybe it's easier with the Bates numbers, Your Honor, 4934 or 4935. It's

Roman numeral vi and vii.

THE COURT: Well I think you -- I think you should bring in the people that did it.

MR. WEBER: One last offer under 803(24) --

THE COURT: Go ahead.

MR. WEBER: -- that has been used prior in this case by Mr. Ciresi in --

THE COURT: Has it been introduced before?

MR. WEBER: No, not this. I'm talking -- I'm just saying an 803(24) offer, which is the catch-all exception

if one assumes it's coming in for hearsay exception.

THE COURT: Well yes, but this is -- this is 25 pages of a study done by an outside agency. This is a completely different animal. You can bring in the advertising agency. I'm sure you can lay foundation with that.

MR. WEBER: Just to be clear, it was a polling organization, Your Honor, but I doubt that makes --

THE COURT: I know what it is.

MR. WEBER: Okay.

By MR. WEBER:

Q. Could you turn to tab 35, Mrs. Beasley, and is that an article published by Professor Mizerski relating to the study that was commissioned by R. J. Reynolds?

A. Yes.

MR. CIRESI: Do you have an exhibit?

MR. WEBER: I'm sorry, it's AM000261.

Q. And did you --

\*9 Is this one of the studies that you and Reynolds management took into account in making decisions with respect to the Joe Camel campaign?

A. Yes, it is.

MR. WEBER: Your Honor, I'd offer this for the same reasons I had articulated with respect to the last exhibit.

THE COURT: Then you have the same problem.

By MR. WEBER:

Q. Mrs. Beasley, let me ask you this: With respect to the two studies that you mentioned that Reynolds had commissioned, without getting into the results of them, had those studies indicated -- had Reynolds learned in those studies that the Joe Camel campaign was affecting children's attitudes, had Reynolds made any decisions as to what it would do?

MR. CIRESI: Your Honor, I'm going to object again to the predicate of the question.

THE COURT: It's an improper question, counsel.

Q. Did any other researchers not supported by R. J. Reynolds examine the same issue and publish their results?

A. Yes.

MR. CIRESI: Excuse me, Your Honor, again she has not been proffered as an expert, and it's inappropriate hearsay.

THE COURT: It's hearsay, counsel.

MR. WEBER: Same -- so I make the same offer. Can I just identify the document for the record, Your Honor?

THE COURT: Sure. Is it here?

MR. WEBER: Yes. It would be tab 37, AM002067, a study by Professor Lucy Henke of the University of New Hampshire in the Journal of Advertising.

THE COURT: Absolutely the same thing that we've just gone through.

MR. WEBER: Okay.

By MR. WEBER:

Q. Mrs. Beasley, have you at any time during your 16 years at R. J. Reynolds believed that you or the company had taken actions to cause underage people to smoke?

A. No.

Q. During your 16 years, do you believe that RJR did or did not -- that's my question, did it or didn't it -- have appropriate policies in place in the marketing area limiting marketing activity to adult smokers?

A. We did have appropriate policies in place. We limited all of our development research to adult smokers, that's who we developed all of the ideas among, and then we limited participation in our promotion to adult 21-year-old smokers.

Q. Could you describe the attitude of you and your colleagues in marketing and management with respect to the significance or lack of significance, whichever, to compliance with Reynolds marketing policies and procedures?

MR. CIRESI: Your Honor, I object to the form, goes beyond Mrs. Beasley's own opinion.

THE COURT: Yeah, I think you need to rephrase that, counsel.

By MR. WEBER:

Q. Mrs. Beasley, as executive vice-president for marketing, what's your attitude toward compliance with Reynolds marketing policies and procedures?

A. We must comply with all of the policies and procedures we set up. There's just really no room for an exception. And we do. And people are trained on them, they're reinforced. Our legal department reviews everything that --

MR. CIRESI: Excuse me, Your Honor, she's going beyond what her belief is.

\*10 THE COURT: Okay. Up to -- up to the legal department, I guess I'll let -- I'll let it stand.

Q. Mrs. Beasley, with respect to this 75 percent of the adult smoker market that is the business of Reynolds' competitors, --

A. Yes.

Q. -- could you address whether or not Reynolds views that 75 percent as a significant business opportunity, wholly apart from the issue of whether or not new smokers come into the market at 18 each year?

A. Sure. It is a huge business opportunity because as 75 percent of the market, that's over 30 million adult smokers who don't choose our brands, so by getting those people to switch to our brands, our company can

grow, I mean, literally forever. I mean we can keep growing every year by getting those smokers to switch to our brands, and that's our goal, is to get more of that 75 percent in our 25 percent.

Q. Mrs. Beasley, one last question. Are you a smoker?

A. Yes, I am.

MR. WEBER: Okay. No further questions at this time, Your Honor.

MR. CIRESI: Can I approach the witness, Your Honor?

(Documents handed to the witness.)

By MR. CIRESI:

Q. Good afternoon, Mrs. Beasley.

A. Good afternoon.

Q. Let me introduce myself. My name is Mike Ciresi and I'm one of the lawyers representing the state of Minnesota and Blue Cross and Blue Shield of Minnesota. All right?

A. Okay.

MR. CIRESI: Good afternoon, ladies and gentlemen.

(Collective "Good afternoon.")

By MR. CIRESI:

Q. Now Ms. Beasley, if during the course of my examination you don't understand a question that I ask

you, please tell me. Is that agreeable?

A. Yes.

Q. And if you don't hear me, let me know that also. All right?

A. Okay.

Q. And if you tell me that, then I will try to rephrase it so that you understand the question, or I'll speak up.

Okay?

A. Okay.

Q. Great. You've been at Reynolds since, I think you said, 1982; is that right?

A. Right. July of '82.

Q. And it was in June of 1987 that you became brand manager for Camel?

A. Senior brand manager for Camel.

Q. Senior brand manager. Okay. How many brand managers are there for Camel?

A. At that time just one, me.

Q. Just one.

A. At that time, yes.

Q. And were there assistant brand managers at that time?

A. Yes.

Q. How many?

A. I don't remember exactly, but there were probably two or three assistant brand managers and probably two or three marketing assistants, and then we had like promotion people also, media people.

Q. Now you understand that this lawsuit involves activities of RJR and other tobacco companies over 40 years; correct?

A. Yes.

Q. Okay. So it doesn't just deal with the period of time that you were employed by the company. You understand that.

A. Yes, sir.

Q. And you've been -- you've been told that; correct?

A. Yes, I have.

Q. Now I'd like to deal with the marketing to, you said, 18- to 24-year-olds. Do you recall that?

A. Yes.

Q. And that while you were with RJR, the company marketed to 18- to 24- year-olds; is that correct?

\*11 A. Adult smokers, 18- to 24-year-old adult smokers.

Q. Okay. Well let's just call them 18- to 24-year-olds. Do you recall that?

A. No. They're smokers. We only market to smokers, 18- to 24-year-old --

Q. I see.



A. -- year-old smokers.

Q. So it was only to people who were smoking that you marketed.

A. That's correct.

Q. There would be no documents in existence of RJR that said you wanted to get people who were not smoking to smoke; is that right?

A. I don't know if anybody ever wrote that, but I know that that's not our policy and that's not what we do in marketing. And, you know, in my 16 years, I have never looked at non-smokers or am interested in trying to get non-smokers to smoke.

Q. Well we didn't see any document, I think with the exception of one, that had your name on it; did we?

A. I don't know what you're talking about.

Q. In your testimony, we didn't see any documents that said you approved this or you recommended such

and such. We didn't see any documents that Mrs. Beasley's name as on; did we?

A. Yes. There was that document that laid out all the guidelines for the 75th birthday development.

Q. That was the only one; correct?

A. You know, I don't remember. I could go back and look, but I remember that one.

Q. And that's the only one you can remember that we saw here today; correct, ma'am?

A. I think that's in this book, yes.

Q. Yes. Okay. Other than that document, there wasn't one other document introduced with regard to the Joe Camel campaign or any other marketing strategy of RJR that had your name on it; was there?

A. I don't think there were any other documents in this book.

Q. Okay. Now can you tell me when -- well let me strike that. You said in 1992, that you started marketing to 21-year-old smokers; is that right?

A. Yes.

Q. Okay. Can you tell me when RJR decided that it learned something that would suggest that they should market to 21-year-olds as opposed to 18-year-old smokers.

A. Well that we were under a lot of criticism about the -- that people were assuming that our intent was to market to younger smokers when it wasn't, and we were responding to the criticism and also building in this buffer. So we said, well, yes, the government makes it legal to buy and purchase and smoke cigarettes at the age of 18, but rather than any more developing our marketing programs for 18- and 19- and 20-year-olds, we'll move it to 21 and create that buffer so there can be no question that it is adult smokers that we're developing our ideas among.

Q. Well when did you learn -- and I mean by "you" RJR -- that it was at age 21 that people were mature enough to make the decision to smoke?

A. That -- that was not the reason we made the change. The reason we made the change was because we were under criticism that we were trying to market to underage smokers, and we weren't. So to even be more confident of it, we put this buffer in. You know, even though people legally can buy and smoke cigarettes at 18, we said we're going to move it up all the way to 21 and only develop our marketing materials among 21-year-old adult smokers and older to create that buffer.

\*12 Q. Isn't it a fact that your industry had always stated publicly that they felt very strongly that cigarette smoking is an adult custom that one should not even consider until they reach the age of maturity, which was anybody over the age of 21? Isn't that right?

A. Could you ask that first part of the question again?

Q. Sure.

A. I don't know what -- I don't --

Q. Isn't it a fact that your industry had always stated publicly that they felt very strongly that cigarette smoking is an adult custom, and that one should not even consider it until they reach the age of maturity, which was over the age of 21? Isn't that right?

A. I don't know. I know our company position --

Q. Can you -- I'm sorry.

A. -- and our -- And our company position when I joined the company was that the legal age of smoking, at which point the government determines is the age of maturity for smoking is 18, and that will also be our interpretation. And I was told when I joined the company that consistent with the government's interpretation, our interpretation would be adult smoker is 18 years and older.

Q. That's not what you were telling the public, though, was it, in 1982 and 1983?

A. 1982?

Q. Yes.

A. Well I -- I mean I don't know if we made any public statements. I don't think we made any public statements the other way.

Q. Can you direct your attention to Exhibit 13957. 13957.

A. Would you say that number again?

Q. Sure.

A. One --

Q. 13957.

A. 139 -- yes.

Q. Do you have it?

A. I do.

Q. Okay. Now that's an article that -- or a document that's already been put into evidence, it's a 20/20

telecast, "GROWING UP IN SMOKE," dated October 20th, 1983, and --

MR. WEBER: Your Honor, Your Honor, may I raise an issue? I'm sorry to interrupt. This document was --

was admitted in one form, and I just want to -- are we dealing -- Is this the form in which it was admitted?

MR. CIRESI: Yes. We're going to go to the page --

MR. WEBER: Because the entire document was not admitted, if you remember. Could we raise -- Could

we go to side-bar on that a minute, make sure we have the right exhibit up there?

THE COURT: I don't think we need a side-bar. Can't --

MR. CIRESI: It is the right exhibit. We're going to go to the page. I just want to get the title here, then I

want to go right to the section that we have in mind.

THE COURT: Do you have a copy of this, counsel?

MR. CIRESI: He does, Your Honor.

MR. WEBER: I have a copy. I'm not sure I have the admitted copy is what I was raising. I know Your

Honor admitted a partial copy of this.

By MR. WEBER:

Q. Have you read this document, ma'am?

A. You know, I -- No, I haven't read the whole document.

Q. Well did you read part of the document that was pointed out that you would be cross-examined on?

A. Yes.

Q. All right. And you understand that Arnie Browder was an individual who was employed by The

Tobacco Institute who spoke on behalf of the industry on 20/20 on October 20th, 1983; correct?

\*13 A. Yeah. I think it was a Tobacco Institute person, yes.

Q. And --

A. That's my understanding.

Q. And if you go to page three, do you see where it has Browder about one- third of the way up, "We feel strongly...", do you see that?

A. Yes, I see that.

Q. Okay. "We feel very strongly that cigarette smoking is an adult custom that one should not even

consider until they've reached the age of maturity. "Stassel: What's maturity?

"Browder: Anyone over the age of 21." Do you see that?

A. Yes, I do.

Q. All right. Now that was in 1983, when you were at RJR; correct?

A. Yes.

Q. And during that period of time, 1983, indeed all the way up until 1992, RJR was marketing to people

who were 18, 19 and 20; correct?

A. Yes. That was the adult legal age for smoking, and that was our -- our company's interpretation. I mean

this is someone at The Tobacco Institute, but our interpretation at the company from the day I joined it was

the age at which the government determines that people can legally buy and smoke cigarettes is 18, and that

is also the age that we will market our cigarettes to.

Q. That wasn't what I asked you, ma'am.

A. Okay.

Q. Okay? During the period from 1983 all the way up until 1992, --

A. Right.

Q. -- RJR was marketing to 18-, 19- and 20-year-olds; correct?

A. We were -- Yes, we were developing our programs for 18-, 19- and 20- year-olds, that's correct.

Q. Even though your spokesman at The Tobacco Institute had stated in 1983 that the industry felt that

cigarette smoking is an adult custom that one should not even consider until they've reached the age of

maturity, which was anyone over the age of 21; correct?

A. That's what this says.

Q. Now did RJR at any time in 1983, 1984, 1985, right up to 1982, warn the public that they felt that

anyone under the age of 21 does not have the maturity to make an informed choice with respect to whether

she or he should smoke?

A. No, I don't believe --

MR. WEBER: Object -- let me object, Your Honor. I think there was a missed date in the question.

THE COURT: I believe that's correct, counsel. I think you should rephrase your question. I think you said

'82.

MR. CIRESI: I'm sorry.

By MR. CIRESI:

Q. Did anyone -- Now did RJR at any time in 1983, '84, '85, right up to 1992, warn the public that they felt

that anyone under the age of 21 does not have the maturity to make an informed choice with respect to

whether she or he should smoke? Did you do that?

MR. WEBER: I'd object to the form on that, Your Honor.

THE COURT: Well you may answer that.

A. Again our company's position -- and I don't know all the statements that were made publicly -- was that

we agreed with the government's interpretation of who was of legal age to make a decision to smoke, to

buy cigarettes and smoke cigarettes, and that was 18 years and older.

Q. That's not what I asked you, ma'am. Can you answer my question? Remember, I said if you don't

understand a question that I ask, please tell me. Okay?

\*14 A. Okay. I don't understand it.

Q. Okay. Well let me -- let me give it to you again. Did anyone at RJR or -- Did RJR at any point from

1982 up to 1992 warn the public that they should not smoke because smoking was an adult custom and you

cannot make a mature judgment on smoking until you're 21?

A. I don't --

Q. Did you ever do that?

A. I don't know.

Q. Well you know you never did that; don't you?

A. No, I -- I mean I don't know what every official said publicly. I think that's what you're asking me.

Q. Well --

A. They --

Q. -- are you aware of any written statement by RJR where RJR said that to the public? Are you aware?

A. Said -- said what? Said --

Q. That unless you're 21, you don't have the maturity to make an informed decision to smoke.

A. No, I don't think we said that. That wasn't our company position.

Q. Okay. And you don't know of any such statement ever by RJR; do you?

A. Well what we -- No. That kind of statement? No.

Q. Now can you direct your attention to Exhibit 12579. Now this is a document entitled "RJR SECRET, STRATEGIC RESEARCH REPORT," dated February 29th, 1984; correct?

A. Yes. That's what it says.

Q. And it's from Diane S. Burrows; correct?

A. That's what it says.

Q. To Mr. G. H. Long. And was he the president of the company at that time?

A. In 19 -- I think -- Well I think so, in 1984, yes.

Q. Okay. And you know who Mr. Orlowsky was?

A. Yes, I do.

Q. And what was his position?

A. I think -- I think at that time he was head of marketing.

Q. Head of marketing.

A. Uh-huh.

Q. And do you know who Mr. H. J. Lees was at that time?

A. He was in marketing. I don't remember his exact title.

Q. And the title of this document is "YOUNGER ADULT SMOKERS: STRATEGIES AND OPPORTUNITIES." Correct?

A. That's -- Yes, that's what it says.

Q. And then there's a copy list of -- looks like maybe 15 or 20 people -- 15 people let's say; is that right?

A. Yes.

Q. Now you're not on there; correct?

A. No, I am not.

Q. And are those people that are on there in marketing?

A. Yes. Well they're -- or marketing research or -- yeah, or media. Yeah.

Q. Okay. They're in marketing, research and media; correct?

A. And marketing, right.

Q. And at this point in time you were in the marketing department; were you not?

A. Yes, I was.

Q. How many people were in the marketing department at that time in Winston-Salem?

A. Well I would say that, you know, I'm not sure -- Today it's about 230. So maybe back then it was probably that -- bigger than that.

Q. Okay. This was before the takeover in the '80s?

A. Yes.

Q. You were there at the time of the takeover?

A. Yes.

Q. Now if you direct your attention to page 8465 -- By the way, have you seen this document before, Mrs.

Beasley?

A. In the course of litigation I have seen it before.

Q. So the first time you saw this document was in litigation; correct?

\*15 A. That's right.

Q. And it wasn't this litigation, it was some other litigation?

A. That's correct.

Q. Okay. And have you had an opportunity to review it again after we designated it?

A. I did.

Q. All right. Do you know if anyone on this list of individuals ever wrote back to Ms. Burrows and said

what she said in here was not accurate or it was false in any way?

A. I don't have any way of knowing.

Q. You've never seen such a document; have you?

A. No.

Q. Nobody's ever provided such a document to you; correct?

A. No, I have never seen one.

Q. And if you would go, then, to page 8465 -- can you do that, please. And those are the Bates numbers on the right. Do you know which ones I'm referring to?

A. Right, this eight -- right down here, 8465.

Q. Right.

A. Right.

Q. I'll use those. I'll use the last three or four digits. Okay?

A. Okay.

Q. And the title of this page is "YOUNGER ADULT SMOKERS: STRATEGIES AND OPPORTUNITIES, MANAGEMENT SUMMARY;" correct?

A. Yes, that's what it says.

Q. And Ms. Burrows here reports to the president of the company and all those other individuals, "THE IMPORTANCE OF YOUNGER ADULT SMOKERS;" correct?

A. Yes, that's what the document says.

Q. And it talks about the importance of those younger adult smokers over the last 50 years; correct?

A. Yes, that's what it says.

Q. It states, "Younger adult smokers have been the critical factor in the growth and decline of every major brand and company over the last 50 years. They will continue to be just as important to brands/companies in the future;" correct?

A. That's what it says.

Q. And it says that that's true for two simple reasons; correct?

A. That's what it says.

Q. And it talks about "The renewal of the market stems almost entirely from 18-year-old smokers. No more than 5 percent of smokers start after age 24." Correct?

A. That's what this says.

Q. So that means that 95 percent of anybody who smokes starts before the age of 24; correct?

A. That's what this would imply, this says in this document.

Q. And indeed, over 80 percent of smokers who smoke start before the age of 18; correct?

A. No. Actually I think you're talking about experimentation. According to the federal government, the National -- National Household Survey on Drug Abuse, the average age of daily smoking is between 18 and 19 years old. That's when someone becomes a daily smoker, that's the average age, between 18 and 19, according to the federal government.

Q. Well you're aware, are you not, that over 70 percent of regular smokers start before the age of 18?

A. I'm sure that depends on the definition of "start." If it's ever smoked a cigarette, ever experimented with a cigarette, that may qualify. But the National Household Survey on Drug Abuse, which is done annually

by the federal government, says that the average age of first daily smoking is between 18 and 19.

Q. Can you direct your attention to Exhibit 4991 so we can deal with this subject right away. 4991, the very first exhibit.

\*16 A. Oh. Yes.

Q. This is a Morbidity and Mortality Weekly Report from the Centers for Disease Control, United States

Department of Health and Human Services. Do you see that?

A. Yes.

Q. Okay. And let me just point out to you the first paragraph. Is it reported there, "Approximately three million U.S. adolescents are smokers, and they smoke nearly one billion packs of cigarettes each year. The average age at which smokers try their first cigarette is 14 and a half years, and approximately 70 percent of smokers become regular smokers by age 18 years." Do you see that?

A. Yes.

MR. WEBER: Your Honor, --

A. I see that document says that.

MR. WEBER: -- I'd object to any further questioning on this on the basis this was admitted, I believe, as a learned treatise, and I think under the rulings the court has made, learned treatises are not to be used with this witness.

THE COURT: I think she's made statements in this area, and I think she can be -- questions can be directed to her.

A. I'm not sure, but again --

THE COURT: Ma'am, excuse me.

THE WITNESS: Oh.

THE COURT: Do you have a question?

MR. CIRESI: Yeah. I'm going to go back now, Your Honor.

By MR. CIRESI:

Q. Could you then direct your attention back to Exhibit 12579. And again, the same page we were on, 8465.

A. Yes.

Q. Do you have it?

A. Yes.

Q. Okay. The second point made by Ms. Burrows in this management summary, which you were not

copied on, states as follows: "The brand loyalty of 18-year-old smokers far outweighs any tendency to switch with age. "Thus, the annual influx of 18-year-old smokers provides an effortless momentum to successful 'first brands'. Marlboro grows by about .8 share points per year due to 18-year-old smokers alone." See that, ma'am?

A. I see the document says that.

Q. Okay. And if you go on to the next page, Ms. Burrows in this report to the president of RJR goes on to

point out the "SUCCESSFUL YOUNGER ADULT BRAND STRATEGIES OF THE PAST;" correct?

A. That's what the document says.

Q. And she talks about Pall Mall, Winston, Marlboro, Kool and Newport, and it showed that each built considerable strength among younger adult smokers, well ahead of the brand's upsurge in market share; correct?

A. That's what this says.

Q. And if you go to the next page, Ms. Burrows in a report to the president talks about the implications and recommendations for RJR as a result of the importance of young adult smokers; correct?

A. The younger adult smokers is what it says.

Q. And what she says is, "Younger adult smokers are critical to RJR's long term performance and profitability. Therefore, RJR should make a substantial long term commitment of manpower and money

dedicated to younger adult smoker programs. An unusually strong commitment from executive

management will be necessary, since volume payoffs may lag several years behind the implementation of a

successful younger adult smoker strategy." Correct?

\*17 A. That's what this document says.

Q. And if you go down to the third bullet point on that page, Mrs. Beasley, Ms. Burrows points out for the

president that "Because of the sensitivity of the younger adult smoker market, brand development/management should encompass all aspects of the marketing mix and maintain a long term,

single-minded focus on all elements -- product, advertising, name, packaging, media, promotion, and

distribution. Tactics which could negatively affect the integrity of the strategy should be avoided." Correct?

MR. WEBER: Your Honor, I'd object --

Q. Is that what's reported?

MR. WEBER: Your Honor, I -- I'm sorry, excuse me. I have an objection. If we're just reading the

document and asking about it, I'd object to it as cumulative since this has been put in front of the jury.

Unless he's asking her questions other than simply what it says, I'd object as cumulative.

THE COURT: I believe he's going to ask her about it.

Q. Is that correct, ma'am? Is that what's reported?

A. That's what this document says.

Q. And that type of overall strategy is known as an umbrella strategy; correct?

A. I don't know. That doesn't say that.

Q. I didn't -- I didn't say it said that.

A. Oh.

Q. It's known as an umbrella strategy; correct?

A. I would not use that term, no.

Q. And when they referred in here to younger adult smokers, if you go to page 8526, which is Appendix B

--

A. Okay.

Q. Do you have it?

A. Yeah. 8526.

Q. Correct. And here in Appendix B it points out the "YOUNGER ADULTS' IMPORTANCE AS REPLACEMENT SMOKERS;" correct?

A. Oh, yes, the document says that.

Q. Right at the top.

A. I see it, uh-huh.

Q. And I believe when your deposition was taken in the Engle case, you didn't even know what a

replacement smoker meant; did you?

A. No. It's not a term that I have used.

Q. Okay. Now Ms. Burrows used it when she was reporting to the president and all these other people in marketing; correct?

A. That document says this in the appendix.

Q. And here it states that "More than two-thirds of male smokers start by age 18." Correct?

A. That's what this says.

Q. And it shows starting ages going down to as young as 12; correct?

A. That's this chart in this document? Yes.

Q. And it shows the median age of starting as 16.7 years; correct?

A. That's what this document says.

Q. Now this entire document is directed to the importance of replacement smokers because as they go on

through their lifetime, such as it is, they start to smoke more; don't they?

MR. WEBER: Object to the question. I'd object to that as argumentative, Your Honor.

THE COURT: It is argumentative.

Q. As smokers advance in age beyond 18 and 19, they start to consume more cigarettes; correct?

A. The average number of cigarettes smoked per day tends to increase some with age.

Q. And that is pointed out in this memorandum; correct? If you know.

\*18 A. I don't remember exactly in this memo.

Q. That's something, though, that you're aware of based on your own experience at RJR; correct?

A. Yes.

Q. Now you talked about switchers. Do you remember that?

A. Yes.

Q. Can you direct your attention to Exhibit 13004. Do you have that?

A. I do.

Q. Okay. Have you reviewed this document, ma'am?

A. I did for, you know, for this case.

Q. And when you saw it -- That was the first time you ever saw this document?

A. Yes. I don't recall seeing it before.

Q. All right. So you had not received a copy of this strategic plan for 1990 to '92; correct?

A. I don't believe so. It says DSB here, 6/5/89. I'm sure that's Diane Burrows. It's her initials. So it was

probably something Diane Burrows did in marketing research, and I don't believe I ever received a copy of it.

Q. Well you don't know if this was a copy that Ms. Burrows received or whether she authored this; do you?

A. No. Just looks like she authored it, and it -- you know, when I read through it, it sounded like she wrote it.

Q. Can you direct your attention to page 3010 of the 1990 to '92 strategic plan.

A. Three -- I'm sorry. Three --

Q. 3010.

A. 3010.

Q. Do you have it?

A. Yes.

Q. And here the strategic plan key issues, do you see that?

A. Yes, I see that on the document.

Q. And what's being discussed here is loyalty among first usual brand smokers; correct?

A. Well it says "A. RJR Performance Among First Usual Brand Smokers." It doesn't say loyalty among first usual brand smokers.

Q. But what it -- what it does say is that loyalty, not switching, is the main -- major factor driving any tobacco company's business. Correct?

A. This document says that. I don't -- I think that loyalty and switching are both very important, obviously.

If you lose -- like for RJR, if we lose the 25 percent who currently smoke our brands, that's losing loyalty,

that's a big problem. But switching is a huge opportunity also. I mean so they're both important, and our marketing is directed at both of those objectives.

Q. What's reported here is that loyalty, not switching, is the major factor driving any tobacco company's business; correct?

A. That -- that is what this document says.

Q. Now have you looked at any of the other defendants' documents to determine whether or not they

believe that loyalty as opposed to switching is the major factor driving the tobacco business?



A. You mean the other tobacco companies?

Q. Yes.

A. The only documents I've looked at would be ones that you designated for me to look at.

Q. All right. So you haven't looked, then, at any of the other companies' documents with regard to that issue. Fair?

A. No, I have not.

Q. Okay. And this document goes on to state that "Major switching over the last 30 years has occurred

because of major, quote, problems, end of quote, with smoking;" correct?

A. That's what this document says.

\*19 Q. And then for each decade it sets forth a, quote, problem, end of quote; correct?

A. It -- it -- it sets forth 1970's tar, 1980s price, I mean that's what it sets forth.

Q. And then it goes on to state that "Other than these major switching opportunities, brands almost never" -

- And that's underscored; isn't it?

A. In this document? Yes.

Q. -- "gain more than .1 per year in switching." That's one-tenth of one percent; correct?

A. That's what this document says.

Q. And it says the reasons for that is that there is high brand loyalty and at that time there was 60 plus

brands competing and there are diverse wants; correct?

A. Again that's what this document says. That's not actually what --

Q. Well --

A. -- the text --

Q. -- ma'am, all I want to know is if that's what's reported in this strategic plan in 1990 and '92. Is that what's reported?

A. That's what this document says.

Q. All right. And you didn't provide any documents, not one, which related to switching that show any

different numbers. You didn't give us one document; did you?

A. Again, we -- I know -- I've been doing it for 16 years. I know what switching is.

Q. That's not what I asked you, ma'am. You didn't provide one document to show that; did you?

A. No, I don't believe there are any documents in there.

Q. Now you talked about advertising and promotion dollars. Do you remember that?

A. Yes.

Q. And you used a Federal Trade Commission report to Congress. Do you have that?

A. Yes, I do.

Q. Where it broke down the types of advertising, do you remember between media, promotion, et cetera?

A. Yes.

Q. Now do you know how much, between 1983 and 1994, RJR spent on advertising, promotion and

marketing versus youth prevention?

A. How much we spent on -- all those years added together?

Q. Yes.

A. No, I don't know that number.

MR. CIRESI: May I approach, Your Honor?

Q. If I show you an exhibit which has been used in this case, which is RJR Reynolds youth prevention

expenditures to advertising, marketing and promotion --

MR. WEBER: Could we get a number on this?

Q. -- expenditures as stated --

THE COURT: Counsel, get a number.

MR. WEBER: Can we have an exhibit number, please.

MR. CIRESI: It's 20177A. I apologize, Your Honor.

By MR. CIRESI:

Q. Now this shows for those 11 years that 6,132,810,796 dollars was spent on advertising, marketing and

promotion expenditures; correct?

A. Well remember what that is is that 70 percent of the spending is, you know, on the coupons and discounts, those price reductions, so that's not actually advertising, it's price reductions to the smokers.

Q. Promotion.

A. Well it's price reduction, that's right.

Q. Promotion, correct, ma'am?

A. That's counted as a category of promotion.

Q. Yes. And during that same period of time, 19,099,617 dollars was spent on youth prevention; correct?

A. On our youth --

\*20 That's what that says. I don't know.

Q. So --

A. -- the exact number myself, but --

Q. So that would be about three tenths of one percent was spent on youth prevention as contrasted with

marketing, promotion and advertising. Would you accept those numbers?

A. You know, I don't know the numbers myself. I saw your chart. But again, you know, I know that the

way our spending breaks up, 70 percent of it is those price-reduction kinds of things that we talked about

earlier.

Q. To get people to buy the cigarettes you knock some money off; correct?

A. Well we try to stay competitive in the marketplace. Because see, what was happening is the reduced-

price brands came into the marketplace, and so in order to stay competitive with those brands, we had

priced our brands to be competitive.

Q. To get people to buy your cigarettes; correct?

A. Keep people from switching away from our cigarettes.

Q. Okay. And if you knock the price down, would you agree that those with less money would find the

cigarettes easier to buy?

A. No. Again, the reason you knock the price down is because you don't want the smokers currently

choosing your brands to switch away, and there are other brands being brought out at a lower price, so

obviously people who want to spend less on cigarettes can buy the lower-priced brands.

Q. That's why you're doing it, to make it competitive. You're knocking the price down; correct?

A. Sure. Because other companies are bringing out brands that are priced lower, so you have to match up

and compete.

Q. Would you agree, generally speaking, youth have less money to spend than adults?

A. I would not agree that they have less discretionary money.

Q. Okay.

A. I mean all of their money is discretionary, and so -- and obviously, as adults, most of our money is

committed.

Q. So that youth generally have as much money as adults; is that right?

A. No, sir, I -- I didn't say that.

Q. Okay. You would agree, then, that youth generally have less money to spend than do adults as a general

rule; would you not?

A. Well in total, obviously they have more money. The youth money is all discretionary. That was my only

point.

Q. Now you pointed out a number of other products that spent money on advertising. Do you remember that?

A. This is the --

Q. This was Exhibit --

A. Oh, advertising and sales ratios, right, uh-huh.

Q. I believe that counsel put an exhibit number on there. 50005 is it?

MR. WEBER: 50005. Should be down in one of the lower corners there.

Q. Yeah, 50005. Do you remember that?

A. Yes.

Q. Now are any of these products on here reported to kill over 400,000 people a year, other than cigarettes?

A. Not that I know of.

Q. Not a one; correct?

A. Again, not that I know of.

Q. And you've read the Surgeon General's reports; haven't you?

A. No. I would not say that's fair to say I've read the Surgeon General's reports. I've read some sections of the 1994 Surgeon General's report, but in general, no, I have not read the Surgeon General's reports.

\*21 Q. Certainly with regard to the 1994 report, you read those portions which dealt with cigarette

advertising and promotional expenditures; correct?

A. I read section of -- sections of that 1994 report.

Q. And could you go to Exhibit 3824, please. And if it's not there, ma'am, maybe I can bring one up for you.

MR. CIRESI: May I approach, Your Honor?

(Document handed to the witness.)

MR. CIRESI: Here you go.

THE WITNESS: Well is that --

MR. CIRESI: That's eighty -- oh, there it is.

By MR. CIRESI:

Q. Would you go to page 160.

A. Yes.

Q. Now on 160, you have read that section, have you not, cigarette advertising and promotional expenditures?

A. Some time ago. I haven't reread it all.

Q. Okay. And do you remember -- Do you remember, in response to questions from Mr. Weber, you were

talking about the advertising expenditures of other companies relating to consumer goods as opposed to

cigarette industry? Do you remember that line of questioning?

A. Yes.

Q. Okay. And you do know that it was reported in the 1994 Surgeon General's report that in 1990, cigarette

advertising and promotional expenditures grew to almost four billion, making cigarettes the second-most-

promoted consumer products after automobiles in the United States; correct?

A. That's what this says.

MR. WEBER: Your Honor, I'd --

Q. Now when --

MR. WEBER: Your Honor, excuse me, I'm sorry. I'd object to the use of this again with the witness, for the

same reason articulated earlier, that the witness was not allowed to rely on learned treatises on direct.

THE COURT: Well this is the Surgeon General's report which he's using to impeach her testimony, which

is a very -- is valid.

By MR. CIRESI:

Q. Now Mrs. Beasley, when you used Exhibit 50005 and there was another top 200 -- do you remember that exhibit?

A. Yes, I do.

Q. And I apologize, I don't have the number, but you do remember those two exhibits; correct?

A. I do.

Q. And those did not relate to advertising, marketing, and promotion, they only related to the advertising

Tdollars of those companies; right?

A. Advertising.

Q. Yes. Now can you direct your attention to Exhibit 12493, which is in the volume in front of you.

A. Yes.

Q. You'll recall this was pointed out to you by Mr. Weber on direct; correct?

A. Yes.

Q. And this is from Mr. Tucker; correct? See the first page?

A. Oh, yes. Right.

Q. Mr. C. A. Tucker.

A. Yes, that's what it says.

Q. And do you know what position he held back in 1974?

A. You know, I wasn't with the company, I was in high school, but people have told me - I don't know if

you call that -- if I can say what people told me.

Q. I'm just asking if you know.

A. Well I only know what people told me.

Q. Okay.

A. I don't know what he actually did.

Q. Well then what you know is what you read in this document about it; correct?

A. Right. That what I have seen is in this document.

\*22 Q. Okay. And what it says here is "Presentation to RJRI B of D - 9/30/74;" correct?

A. Yes, that's what this says.

Q. And RJRI is R. J. Reynolds Industries; correct, or RJR Reynolds Incorporated?

A. I don't -- I don't know.

Q. You don't know. Okay. Could you go on to the next page. You'll see that it is entitled "1975

MARKETING PLANS PRESENTATION, HILTON HEAD, September 30, 1974." Correct?

A. That's what this says.

Q. Now when you made presentations to management, did you prepare presentations or did you just speak extemporaneously?

A. Well you know, both. Obviously we had meetings, we talked. You know, you don't always have a presentation. Sometimes you do, sometimes you don't.

Q. But it's not unusual for people, if they're going to present information to top management or the board of directors, to put down what they're going to do; correct?

A. I don't think that would be unusual.

Q. And here you see that there's a reference to charts that were used; correct?

A. Oh, it says chart number one you mean?

Q. Yes.

A. That's what it says.

Q. Okay. And if we look at chart number two, "OPPORTUNITY AREAS," it says to increase our young adult franchise; correct?

A. Oh, yeah, uh-huh.

Q. And then if you go down below number four, it defines young adult. Do you see that?

A. You mean chart number four, or -- no.

Q. No. Number four.

A. Oh, number four. Well no, I don't know what you mean. "Develop new brand and line extensions with new product benefits?"

Q. Right below that.

A. Oh.

Q. It defines young adult, does it not, in the paragraph below number four?

A. Yeah. And this paragraph it says young adults is 14 to 24 --

Q. Okay.

A. -- age group.

Q. It says, "First, let's look at the growing importance of the young adult in the cigarette market. In 1960,

this young adult market, the 14-to-24 age group, represented 21 percent of the population." Correct?

A. That's what this says.

Q. Now as you said, you weren't at the company at that time; were you?

A. No, I was not.

Q. Okay. You didn't attend the board of directors meeting; did you?

A. Oh, no.

Q. You don't know what was said there; do you?

A. No, I do not.

Q. All you know about that meeting is what is read from this presentation; correct?

A. That would be correct.

Q. And this presentation talks about increasing the young adult franchise, which is defined as the 14-to-24 age group; correct?

A. Well it talks about share and it talks about tomorrow's cigarette business. When it actually gets to the strategy section, it talks about young adults as 18 to 24 and under 35. So, you know, this first section, which is pretty simple in these presentations, is talking about share performance, and then when they get to strategy, they define it differently.

Q. Well ma'am, we've been through this a number of times with a number of witnesses, so we're not going to go through it again. My question is pretty simple.

\*23 A. Okay.

MR. WEBER: Object to the commentary, Your Honor.

MR. CIRESI: Well Your Honor --

THE COURT: Well the answer that she gave is certainly non-responsive to the question. Go ahead.

Q. Once again, Mrs. Beasley, if you just listen to my question and respond to that.

A. I'll try.

Q. All right? And then Mr. Weber will have an opportunity to ask you more questions. Okay?

A. Sure.

Q. All right. What we know about this document is that the young adult franchise was defined as 14 to 24 years old; correct?

A. Right. On this page of this document, it does.

Q. And indeed, it is referenced 14 to 24 beyond this page; is it not?

A. I think it's in the first two pages, and then after that, when it gets to strategy, it is not.

Q. Now did you look at any documents which said no, we're not going to sell to 14- to 24-year-olds as a result of this meeting?

A. Oh, as a -- No. I've seen company documents, obviously, on our policy that go way back into this time period that say it was to market to adult smokers, but you mean anything that came out of this meeting?

Q. Yes.

A. Well I don't know. You know, I wasn't at this meeting.

Q. You didn't see any document, nobody provided you any document from members of the board or management that said no, we're not going to market to 14- or 15- or 16- or 17-year-olds. You didn't see that; did you?

A. No. I don't think this document says that's what they're going to do either.

Q. Well did you see any such document, ma'am? That's my question.

A. Oh. Well no.

Q. Now you did see other documents which talked about who people would be marketing to at RJR; correct?

A. Well -- Could you say that again?

Q. Sure. You did see other documents discussing about what age group RJR would be marketing to;

correct?

A. Oh, sure. I've seen like hundreds and hundreds of documents on what age group. You know, the whole time I've been here we create those documents. It's adult smokers.

Q. Well why don't we -- Why don't we go to Exhibit 12865, which is a few months after Exhibit 12493.

12865.

A. 12865, yes.

Q. Have you seen that document before?

A. Well in the course of litigation, you know, not for any other reasons.

Q. This is from Mr. Hind to Mr. Tucker; correct?

A. That's what it says.

Q. And he was the marketing director, Mr. Tucker; wasn't he?

A. Well, you know, again I told you, this was back when I was in high school. I don't really know who did what at the company then.

Q. Okay.

A. It's just what people have told me.

Q. And this says "RJR SECRET," correct, in the upper right-hand corner?

A. Yes.

Q. And in the first paragraph it says, "Our attached recommendation to expand nationally the successfully tested 'Meet the Turk' ad campaign and new Marlboro-type blend is another step to meet our marketing objective: To increase our young adult franchise. To ensure increased and longer-term growth for Camel

Filter, the brand must increase its share penetration among the 14- to-24 age group which have a new set

more liberal values and which represent tomorrow's cigarette business." Correct?

\*24 A. That's what this document says.

Q. And that's talking about getting an increase in its share present -- share penetration among 14- to 24-year-olds; correct?

A. That document says this.

Q. Now did you ever see the attached recommendation to this?

A. Attached recommendation to this?

Q. Yes.

A. No. I've only seen, you know, this in litigation. I don't know --

Q. Did anybody ever provide you with that?

A. No. I've never seen it.

Q. Do you have any idea where it might be?

A. I don't even know if there was one. I mean --

Q. When you read -- when you read this, you -- Well you said you don't even know if there was one.

A. No, because I've never seen one.

Q. Does somebody at RJR usually write to people and say attached is our recommendation, when it isn't in existence?

A. Well like I said, I didn't know these people and I didn't -- I never knew either of them, and this is, you know, back in '75 when I was in high school. I don't know what they did.

Q. Well --

A. It says -- it says "attached recommendation," but if there really was one attached or not, I don't know.

Q. Well usually if someone writes something at RJR and says I've attached a recommendation, you would expect to find one; wouldn't you?

A. Well probably. I mean you would think there would be.

Q. All right. When you read this document, did you say, "Say, where is the attached recommendation? I'd like to see if we were marketing to 14- to 24- year-olds." Did you say that?

A. No. I just saw it in the past couple weeks in the course of, you know, hundreds of documents. So --

Q. So you never asked. Fair?

A. No, I did not.

Q. Can you then direct your attention to the Exhibit 13101, which was directed to your attention by Mr. Weber.

A. Yes.

Q. Now this goes up into 1980, about five years later; correct?

A. Yes, that's what it says.

Q. And this talks about an MDD report on teen-age smokers; correct?

A. Yes.

Q. And do you know what an MDD report is?

A. I -- yeah. I think that was the Marketing Development Department, which was our marketing research department.

Q. So there was a marketing development report on teen-age smokers; correct?

A. Yes. You know, we looked at those old studies that showed that they had tracking data of 14- to 17-year-olds.

Q. Well here it says, "Attached is an MDD," a Marketing Development Department "report," do you see that?

A. Yes.

Q. Did you see that attachment?

A. No, I've never seen that attachment.

Q. Did you ask anybody where that attachment went?

A. No.

Q. Did you have any curiosity about that?

A. Well no, I didn't really.

Q. You didn't. Okay. And it says the report covers the aforementioned subject, and the aforementioned subject is teen-age smokers 14 to 17; correct?

A. Yes. It says the attached is an MDD report covering the aforementioned subject.

Q. And it says, "Last January, a report was issued on this subject that indicated that Philip Morris had a total share of 59 among 14- to 17-year-old smokers," --  
\*25 Correct?

A. That's what this says.

Q. -- "and specifically Marlboro, had a 52 share;" correct?

A. That's what it says.

Q. And then it says, "This latest report indicates that Philip Morris' corporate share has increased by about 4 points; however, Marlboro remains the same;" correct?

A. Uh-huh, that's what this document says.

Q. And it also pointed out in this report that -- strike that. It also pointed out in this memorandum that the report further indicated that RJR continues to gradually decline in that age group; correct?

A. Well no, I don't think it -- it doesn't say in that age group. What it says is, "Importantly, the report further indicates that RJR continues to gradually decline, and between the spring and fall 1979 periods, RJR's total share declined from 21.3 to 19.9." That's a decline. So I'm -- you know, it looks like to me this is one sentence and that the gradual decline is referring to the total share of market decline from 21.3 to 19.9.

Q. Can you tell me where in this memorandum it says that it's an MDD report on anything other than teen-age smokers 14 to 17?

A. Well it says the report further indicates, and it talks about total share.

Q. Don't you think that's the total share of the 14- to 17-year-old smokers, ma'am?

A. Oh, no.

Q. Oh, you don't. Okay.

A. No.

Q. Then it says in the next-to-the-last -- or the last paragraph, "Hopefully, our various planned activities that will be implemented this fall will aid in some way in reducing or correcting these trends." Do you see that?

A. Yes, I do.

Q. Yeah. And the trends that are referred to in the body of the document and in the title are teen-age smokers; isn't that right?

A. Well in the body of the copy, you know, this middle paragraph says "...RJR's total share declined..." and

I thought that, you know, the way I read that was RJR's total share.

Q. So you think that in this document entitled "MDD Report on Teenage Smokers (14 to 17)," the middle paragraph of three lines all of a sudden refers to the total market share as contrasted with teen-age smokers; is that right?

A. You know, I -- I don't know, but I think it's possible, because typically when we do our share of smoker tracking, you know, I -- we don't ever do 14 to 17, we just do 18 and older. But when you get it, it's all the age groups. You usually get a report which shows 18 to 24, 25 to 34, 35 to 49, 50 plus --

Q. That's not what I asked you, ma'am.

A. -- and total.

Q. Once again, that's not what I asked you. So you think in this document entitled "MDD Report on Teenage Smokers (14 to 17), the middle paragraph of three lines all of a sudden refers to total market share and contrasted with teen- age smokers; is that right?

A. I --

Q. Is that what you're saying?

A. I don't know, but that's the way I read it.

THE COURT: Counsel, why don't we take just a very short recess.

THE CLERK: Court stands in recess.

\*26 (Recess taken.)

THE CLERK: All rise. Court is again in session.

(Jury enters the courtroom.)

THE CLERK: Please be seated.

THE COURT: Counsel.

MR. CIRESI: Thank you, Your Honor.

By MR. CIRESI:

Q. Ms. Beasley, if we could go back to Exhibit 13101, do you still have that in front of you?

A. Yes.

Q. Now you said that -- I think you said on direct that the market share of RJR today was about 25 percent?

A. That's right.

(Discussion off the record.)

MR. CIRESI: All set?

THE WITNESS: Yes.

Q. You said today the market share was about 25 percent?

A. That's right.

Q. And back in 1980 it was higher; correct?

A. Yeah. Yeah, it was.

Q. A lot higher; wasn't it?

A. Significantly higher.

Q. Yes. So the middle paragraph couldn't be referring to the entire market; could it, ma'am?

A. I guess not, no. Probably not.

Q. No. What that's referring to is the market share of 14- to 17-year-old teen-agers; correct?

A. I -- Like I told you when you asked me before, I don't know, because, you know --



Q. But that's the only reasonable way one could read that memorandum; correct?  
A. I think, you know, that's one reasonable way. I don't know what he meant.  
Q. Now can you direct your attention to Exhibit 12613.  
A. Yes, I'm there.  
Q. And that's to the -- RJR memorandum to E. J. Fackelman from R. C. Nordine dated April 13, 1984; correct?  
A. Yes. That's what it says.  
Q. Carbon copy to Joan Whaley; correct?  
A. Yes.  
Q. Subject matter is "STRATEGIES AND SEGMENTS;" correct?  
A. That's what it says.  
Q. And it's talking about a younger adult smoker opportunity analysis; correct?  
A. It says, "The purpose of the following is to explain an idea that is suggested in the Younger Adult Smoker Opportunity Analysis."  
Q. And Mr. Nordine was Ms. Burrows' boss; correct?  
A. I think in 19 -- Yeah, I think in 1984 he would have been.  
Q. And in the second paragraph Mr. Nordine states that "The Younger Adult Smoker Analysis raised several important issues about how the cigarette market works." Correct?  
A. That's what it says.  
Q. "In a very basic sense, it dramatizes the importance of repeat business as opposed to switching." Correct?  
A. Right. That's what it says.  
Q. He says that that "It is relatively easy for a brand to retain 18-year- old smokers once it has attracted them. Conversely, it is very difficult to attract a smoker that has already been won over by a different brand. There is a principle of inertia: 'A smoker at rest tends to stay at rest.'" Correct?  
A. That's what it says.  
Q. And in paragraph three Mr. Nordine points out that the younger adult smoker analysis helps to paint a picture of the typical -- of a typical smoker over time; correct?  
A. That's what it says.  
Q. And in the next paragraph he goes on to state -- In paragraph four and five actually, he starts talking about brand loyalty; correct?  
\*27 A. Do you want me to go ahead and read those, or --  
Q. Just take a look at them and see if that's what's being discussed, ma'am.  
A. Yes. I do -- I read that.  
Q. What he's discussing there is brand loyalty; correct?  
A. Brand loyalty and brand switching.  
Q. And when it talks about brand switching, it talks about at some point in time a typical smoker begins to change; correct?  
A. In this document, that's what they're discussing.  
Q. And he may become sensitive to the smoking-and-health issue because he becomes a new father, for example; correct?  
A. It says that.  
Q. And moderation brands would then become more appealing to him; correct?  
A. That's what it says.  
Q. And then what this memo goes on to state is that if you have the brand loyalty of the smoker, you can get that smoker to switch to a line extension; isn't that right?  
A. Line extension? I don't see that.  
Q. Do you see where it talks about he may go to Vantage or Merit?  
A. Oh, I didn't read that paragraph yet.  
Q. If you look to the second-to-the-last paragraph, the last line. "However, the bulk of smokers do settle

down preferring to be brand loyal." Correct?

A. That's right. That's what it says.

Q. "The brand that has strong appeal to first time switchers to a segment enjoys strategic high ground in the same sense as a first choice brand does with 18-year-old smokers." Correct?

A. That's what this document says.

Q. And what it's referring to here is brand loyalty and line extensions; correct, ma'am?

A. Well again, they're not speaking to line extensions, they're speaking to brands. A line extension is another style of the same brand.

Q. Well --

A. And --

Q. -- let's look -- Go ahead.

A. Well I mean they were talking about Merit and Vantage, which are different brands.

Q. Now Marlboro and Marlboro Light, Marlboro Light's a brand extension; correct?

A. Marlboro Light is a line extension of Marlboro.

Q. Winston, Winston Light, Winston Light is a brand extension; correct?

A. That's right.

Q. So if a smoker is becoming a father or mother and the cigarette company wishes to keep him or her in their family of brands, you want to switch that person from a Winston, for example, to a Winston Light, which would be a more moderate cigarette; is that right?

A. Well again, each brand family has a bunch of styles, and the reason they have all those styles is because what you hope is somebody stays with that brand and doesn't switch to some other brand.

Q. You want to keep them in your family of cigarettes; correct?

A. Right. You don't want them to switch away to some other brand. That's the whole objective.

Q. And that is the purpose of line extensions; correct?

A. Well the purpose of a line extension is to provide a product that smokers want. We're responding to what smokers tell us that they're looking for and would like to have, so when we do a line extension, we're doing it because smokers have told us we'd like to have this style, and so then we introduce that style and it usually gets business. If it doesn't, we were wrong. I mean some --

\*28 Q. You want to keep them within your cigarette brands; correct, ma'am?

A. You -- you do not want smokers to switch away from your brand to another brand, that's correct.

Q. Now you talked about the Joe Camel campaign; correct?

A. Yes, I did.

Q. And I think you said that Joe Camel was a 75-year-old guy?

A. No, I didn't say that. I said that you should -- that when I gave direction for the 75th birthday campaign, that I said think of it, treat it, the campaign, as though this were a guy that's 75 years old.

Q. Oh. Treat -- treat Joe Camel if he was a 75-year-old guy, and then build the campaign around that.

A. Well not -- Well think about it that way and build the campaign around it. So for example, what the agency did is they took the -- You know, we were trying to make it a timeless celebration of the brand. It's 75 years old and we were trying to celebrate that. So the line we used in the advertising was "75 years and still smokin'," to say that the brand had been there for 75 years and we're still modern.

Q. Now you said that you made that decision. Is that right?

A. Made what decision?

Q. That you came up with Joe Camel.

A. I came up with the idea to use that French Camel poster as a starting point to create the whole 75th

birthday campaign.

Q. When did you do that?

A. In July -- Well I started in June of 1987 on Camel, and in July we had the focus groups where I came up with the idea, and then we proceeded to develop it.

Q. So you made the decision to use the French Camel in June of 1987.

A. It was actually July of 1987.

Q. July of 1987.

A. That's right.

Q. Can you direct your attention to Exhibit 12811.

A. 128 --

Q. 12811.

A. Yes.

Q. That's a marketing research report; correct?

A. Yes.

Q. February 1st, 1985; correct?

A. That's what it says.

Q. To Mr. Caufield from Alicia Nance Mitchell?

A. Yes, that's the document.

Q. Were they in the marketing department?

A. Yes.

Q. Do you know their titles?

A. At the time Rick Caufield, he was senior brand manager of Camel. That was, you know, several years before I was senior brand manager of Camel. And Alicia Nance Mitchell, I think, was somebody in the marketing research department.

Q. And copies went to a number of individuals; correct?

A. Yes.

Q. You're not on there; are you?

A. No.

Q. Now if you go to the next page, you'll see that focus groups are being conducted; correct?

A. That's right.

Q. And that management had requested that the younger adult campaign be taken to focus groups; correct?

A. Yes.

Q. That's in the second paragraph on background. Do you see that?

A. Yes.

Q. And the purpose of doing that was to obtain consumer reaction to the new ads; correct?

A. Yes.

Q. Now I apologize, but that's the best copy we obtained from RJR. Can you make that out, though, ma'am?

A. Yes. It says, "The ads that were shown consisted of six different themes."

\*29 Q. Okay. And I'm -- I'm in the second paragraph there, "Management requested that the younger adult campaign be taken to focus groups in order to obtain consumer reaction to the new ads." Correct?

A. That's right. That's what it says.

Q. Now if you go down below, do you see "FINDINGS," number one?

A. Uh-huh. Yes, uh-huh.

Q. "Overall, many of the male and female respondents held negative user and product perceptions of CAMEL." Do you see that?

A. Yes, I do.

Q. Now you weren't involved with this program at that time; were you?

A. No. I was working on Camel, but I was working on promotions. I wasn't working on advertising. So I wasn't involved with this.

Q. So the answer is no; correct?

A. Right.

Q. Okay. "In their minds, CAMEL was thought to be a non- filtered, harsh product, smoked by older

males." Correct?

A. Yes, that's what it says.

Q. And this was in -- This was in 1985; correct?

A. Right.

Q. "However, exposure to the younger adult ads appeared to be -- to somewhat improve these attitudes;" correct?

A. Yes.

Q. "This improvement stemmed primarily from two characteristics: humor, and relevancy to younger adult smokers;" correct?

A. It says that, yes.

Q. Okay. "Certain ads did convey the message that Camel was an acceptable choice for younger adult smokers. As evidence, focus group members placed some of the ads in younger adult publications, such as National Lampoon and Rolling Stone." Correct?

A. Yes.

Q. And this was in 1985; right?

A. Right.

Q. And if you go to the next page, one of the themes was the French Camel; correct?

A. Right.

Q. Long before you were involved; correct?

A. Yeah. They developed it here as -- There were different ideas they looked at, and that was one of the ideas that they were looking at. And it wasn't for the 75th birthday. This was long before --

Q. We'll get there, ma'am. This was long before you were involved; correct?

A. Well it was long before the 75th birthday. This wasn't for the 75th birthday campaign.

Q. And what this says is, "These ads were well received due to the fun/humor aspects of the cartoons. More than any other themes, the 'French Camels' appeared to attract the respondents' attention. The main drawbacks of these executions were that: one, they may be more appealing to an even younger age group and two, there is some confusion as to the meaning behind them. Some focus group members were hard-pressed to explain the purpose of the ads." Correct?

A. That's what this says.

Q. Okay. And this is, again, in February of 1985, a report as to what was done prior to that date; correct?

A. Prior to what --

Q. February of 1985.

A. Right. It was in -- Yeah, prior to February of 1985, right.

Q. Now you would agree that in marketing, you want to attract your target audience's attention.

A. Definitely.

Q. Now you don't expect to get everybody who's out there in the marketplace; do you? You want to go after your target group; isn't that right?

\*30 A. Right.

Q. You might call it your prime prospect group; correct?

A. Yes. You usually have a prime prospect group, but then you also have other groups that you want to catch their attention, like -- You know, when we were doing Camel, it was 18 to 24 males, and then another prospect group were Camel smokers 18 plus. So, you know, you have more than one prospect group.

Q. Excuse me. I just simply asked you: You might call it your prime prospect group; correct?

A. Well I was trying to explain what prime prospect is. They are different groups.

Q. Again, Ms. Beasley, we'll get through it a lot quicker if you can just respond to my question. Okay?

A. I was trying to.

Q. All right. Now you know what the idea of a brand image is; do you not?

A. Yes.

Q. And you want to get a brand image for your product; correct?

A. Yes.

Q. And you want, in your advertising, to enable people to recall that advertising when they might make a purchase; correct?

A. Yes. You want the advertising to be recalled.

Q. You want it -- You want them to have notice and an ability to recall; do you not?

A. Yes. You -- you want to catch their attention and have them be able to recall the advertising.

Q. And sometimes in order to do that, you use celebrities; correct?

A. No, we don't use celebrities.

Q. I didn't ask if you do. I say sometimes you would use celebrities in advertising.

A. I don't, no.

Q. You don't, okay. Now do you want to get to peer leaders in advertising?

A. Well again, when you advertise you're trying to convince an individual -- in our case, an individual adult smoker to switch to the brand, and so often you would think of a peer leader -- you know, a peer is basically someone who is your friend or family, it's someone around you -- and there are some people who will switch brands sooner than others, sometimes those are peer leaders, sometimes not. But in marketing, it's people who are more likely to switch is the key.

Q. Let me ask the question again. Maybe you didn't understand it.

A. Uh-huh.

Q. In advertising, do you want to get the peer leaders? "Yes" or "no."

A. Well I would say sometimes that's true.

Q. And you want your ads to be motivational; correct?

A. We want them to motivate people to switch to our brands.

Q. You want them to be appealing; correct?

A. We want people to like the advertising so they'll switch to our brands.

Q. You want them to be appealing; correct?

A. We -- Yes, we want them to be appealing so they'll switch to our brands.

Q. And sometimes you use cues and symbols which have a broader value than just your prime prospect group; correct?

A. I don't know what you mean by "cues and symbols broader than the prime prospect group."

Q. Can you direct your attention to Exhibit 12761.

A. Yes.

Q. Now this is an RJR secret memorandum, March 12th, 1986; correct?

A. Yes.

Q. And it's to Mr. D. N. Iauco.

\*31 A. Dave Iauco.

Q. Okay. Do you know who he is?

A. Yes, I do.

Q. What's his title?

A. In 1986 you mean, or --

Q. Yes.

A. In 1986 I think he was director in marketing.

Q. Director in marketing.

A. Uh-huh.

Q. And if you go to the last page, Ms. Beasley, you'll find that it was written by R. T. Caufield, Rick Caufield. Do you see that?

A. Yes.

Q. And do you know what position he held?

A. In 1986 he was -- yes, he was senior brand manager on Camel before me.

Q. Okay. And then there's a number of cc's, do you see that?

A. Yes.

Q. And you're not listed there; are you?  
A. No, I'm not.  
Q. Okay. And are all those individuals in marketing?  
A. No.  
Q. Do you know what positions they hold?  
A. Um --  
Q. Or they held at that time, I should say?  
A. Not positive. I could take a guess. But --  
Q. We don't want you to guess. Were they in management, ma'am?  
A. Well, you know, not my definition of management. There were -- some of them were in marketing and some of them weren't.  
Q. Okay. And this is talking about Camel's new advertising campaign development; correct?  
A. Yes.  
Q. And what was the advertising program in existence in 1985 and 1986?  
A. It was still the Bob Beck campaign.  
Q. Still the Bob Beck; wasn't it?  
A. Yeah. Since 1985 Camel had been trying to find a new campaign and never found one, and that's when I joined the brand in 1987 and developed the new campaign.  
Q. We'll -- we'll get there. Okay? But it was still the Bob Beck campaign at this time; correct?  
A. Yes.  
Q. And there was development work underway with regard to a new advertising campaign; correct?  
A. Yes.  
Q. Now if we go to the first page here, --  
A. Yes.  
Q. -- it says "CAMEL New Advertising Campaign Development;" correct?  
A. Yes.  
Q. And it's looking at a target audience definition; correct?  
A. Target audience, yes.  
Q. Advertising objective; correct?  
A. Yes.  
Q. Strategic --  
A. Well I mean it says -- Oh, yeah, yeah, number two, uh-huh, advertising objective.  
Q. Strategic approach?  
A. Right.  
Q. General creative guidelines?  
A. Yes.  
Q. Copy strategies and rationale?  
A. Yes.  
Q. And next steps in timing; correct?  
A. Yes.  
Q. And then for each one of those discrete areas, this memorandum addresses issues within those areas; correct?  
A. Yes.  
Q. And the target audience is recommended that it be a primary focus on developing advertising which is highly relevant, appealing, and motivational to 18 to 24 male smokers; correct?  
A. That's what it says, uh-huh.  
Q. And this recommendation was based on consideration of the marketplace dynamics which are perpetuating Marlboro's growth; correct?  
A. Yes.  
Q. And those dynamics were brand loyalty and peer influence; correct?  
A. Yes.  
Q. And it is stated that those strongly suggest that repositioning Camel as the relevant brand choice for younger adult smokers will be critical to generating -- generating sustained volume growth; correct?

\*32 A. Yes.

Q. And then it talks about the fact that in directing your market to that new repositioning, you still got to take care of the folks that are outside of that prime prospect group; correct?

A. Yes.

Q. And it talks about employing universal cues and symbols; doesn't it?

A. Yes, it does.

Q. Do you remember I asked you about that?

A. Right.

Q. And you didn't know what they were; did you?

A. No. And I still don't, reading this, know what they meant by "universal cues and symbols." Not really sure.

Q. But what is stated here is that they would have motivational value outside of the prime prospect group as well; correct?

A. Right.

Q. Now do you know of any type of investigation that RJR did to determine what would attract, influence, and motivate an 18- year-old as opposed to a 17- year-old?

A. An 18-year-old as -- No. We don't do any research among 17-year-olds. We only do it --

Q. So you had no idea -- So you had no idea that what would appeal, motivate, and influence an 18- year-old would also appeal, motivate, and influence a 17-year-old; did you?

A. Again this is on brand switching, and --

Q. Ma'am, that's not what I asked you.

A. All right.

Q. Let me ask the question again. You had no idea --

A. No, we didn't --

Q. -- what would influence/motivate an 18-year-old as contrasted to a 17- year-old.

A. No.

Q. Correct?

A. We did not do any research among anybody under the age of 18.

Q. So as far as you know, what was attractive to an 18-year- old in influencing and motivating her or him would also influence or motivate a 17- year-old.

A. On brand switching, that's possible. I don't -- I think that 18-year- olds, and it's why our society makes it legal to smoke at that age, are different than 17-year-olds. They're people moving out on their own. That's why they have the right to vote and the right to smoke and the right to join the military. So I don't know -- I don't know if they do or not, but I think that 18-year-olds are different than 17-year-olds.

Q. That's not -- What I asked.

A. Oh, well --

Q. You did no work, RJR did no work to determine whether or not that what was influencing and motivating 18-year-olds would also influence and motivate 17-year-olds.

A. No, we don't do any work among those under the age of 18. When I developed the Camel campaign, I asked people 18 to 24 if the ads would appeal to people their age or people younger than them, and we eliminated the ads that appealed -- that they said would appeal to people younger than them. But that was our best measure of it because we don't do research among those under 18.

Q. Let's go on and see what happens here. "ADVERTISING OBJECTIVE "Overall, CAMEL advertising will be directed toward using peer acceptance and influence to provide the motivation...;" correct?

A. That's what this says.

Q. "Specifically, advertising will be developed with the objective of convincing target smokers that by

selecting CAMEL as their usual brand they will provide an image that will enhance their acceptance among

their peers." Correct?

\*33 A. Yes.

Q. Are youth influenced by peers?

A. Yes.

Q. Teen-agers influenced by peers?

A. Yes.

Q. And then it goes on to "STRATEGIC APPROACH;" correct?

A. Yes.

Q. And part of the strategic approach was that the creative guidelines will present brand assets in a relevant,

appealing manner to address the major image wants of target smokers; correct?

A. Yeah. I don't see where you are right now. Sorry.

Q. Right at the bottom of the first page there, ma'am.

A. Okay. Oh, the last sentence?

Q. Yes.

A. Okay.

Q. And if you go on to the next page, under "STRATEGIC APPROACH," you'll again see that the strategic

approach was incorporating principles that would specifically target smokers' desire to project an image

which reinforces their masculinity. Do you see that?

A. Yes.

Q. And if you look at the last part of that sentence, it's talking about a masculine idea of strength,

authenticity and self- confidence; is that right?

A. Yes.

Q. And then for "GENERAL CREATIVE GUIDELINES" they were also talking about "Campaigns which

rely on literal depiction of smokers to communicate desired user imagery will ensure that models and

situations selected are highly relevant and appealing to not only target smokers but broader demographic

groups as well;" correct?

A. Yes, that's what it says.

Q. And one of the age groups that you were targeting here was 18; correct?

A. In this memo?

Q. Yes.

A. I think they were developing a campaign for -- it says 18 to 24 male smokers.

Q. And nothing was done to determine whether or not what appealed to this 18 would also appeal to a

broader group which would be younger; correct?

A. No. We do not do research among those under the age of 18. We only market to adults.

Q. And if you go over to "COPY STRATEGIES" on page three of this memo, do you see down at the

bottom it says "Cool Attitude?"

A. Yes.

Q. "The objective of the advertising is to leverage the non- conformist, self-confident mindset historically

attributed to CAMEL users so that the brand becomes a relevant, appealing choice for today's younger adult

smokers."

A. Yes.

Q. And if you go on to the next page, talks about a non- conformist, self- confident, cool attitude which is

admired by their peers?

A. That's what this document says.

Q. Those are attributes of youth; correct?

A. No. Those are attributes of Camel smokers. You'd have to know -- have done research among Camel

smokers to know those. But Camel smokers, it's a relatively small brand compared to Marlboro, and Camel



smokers have this really definite mindset. They like to stand out from the crowd, they don't smoke what most smokers smoke, which is Marlboro, and so they're real non-conformist. In fact, our -- we have a higher share out on the West Coast where there's more non-conformist people. So what they're speaking about here is Camel's heritage as a brand that's chosen by non-conformist kinds of smokers.

\*34 Q. Maybe you didn't understand my question. Youth like to be non-conformists; don't they?

A. What do you mean by "youth?"

Q. Teen-agers.

A. I think that some teen-agers do and some don't. I mean I think that's fair to say.

Q. Teen-agers like to be rebellious; correct?

A. Again, I think probably some teen-agers do and probably some don't.

Q. Teen-agers like to be risky; correct?

A. Again, I think probably some teen-agers do and probably some don't.

Q. And if you look under the "Rationale," what was being targeted here under personality attributes, --

A. Uh-huh.

Q. -- second bullet point, "Personality attributes respected by target smokers and inherent in their definition of cool include a degree of rebellion or non-conformity along with a self-confidence to remain in control of the somewhat risky, exciting lifestyle associated with these characteristics;" correct?

A. Yes. See, it says "Camel's non-conformist, self-confident user heritage." That's the Camel image.

Q. And that's what you were directing -- or that's what these people were directing their research on with regard to the Camel's new advertising campaign development in 1986; correct?

A. Right. When they were looking for a new campaign, they were trying to leverage Camel's heritage in the new campaign.

Q. And you would agree, would you not, that those attributes which I just read from here are equally applicable to 14-, 15-, 16- and 17-year-olds?

A. I haven't done any of that research among teen-agers, but --

Q. So you just don't know then. Is that what you're saying?

A. I don't know if it's equally --

Q. Okay.

A. -- applicable or not, but I know it's applicable to adults because I have done the adult research.

Q. Now the 75th birthday plan that you referenced, that came up prior to the time you took over as brand manager; did it not?

A. No. When I came to the Camel brand, they were looking for campaigns, new campaigns to replace Bob

Beck, and one of the ideas was to celebrate the 75th birthday. But there was no campaign idea on the table

to use the French Camel for the 75th birthday. I came up with that idea as a result of focus groups I saw.

Q. The French Camel had already been looked at back in 1985, Mrs. Beasley; had it not?

A. There was a promotion actually in 19 -- about 1985, '86 where the French Camel was used, so it had

been used for promotional purposes. There never -- you know, so -- But it had not been used as a campaign, no.

Q. But it had been used long before you ever got involved; correct? That's all I want to know.

A. Just -- Not the 75th birthday campaign. Not Joe Camel as a -- as a -- with human characteristics and arms and legs in a campaign. It had been used just as that poster for promotion.

Q. Is the answer yes, --

A. No.

Q. -- the French Camel had been used?

A. The French Camel poster.

Q. All right. And the Camel creative advertising direction had been the subject of memorandums between

Mr. Horrigan, who was the president of the company, in February of 1987; had it not?

\*35 A. I -- I don't know what you're speaking to.

Q. Can you take a look at Exhibit 12863. I just want to refresh your recollection, please.

MR. WEBER: Your Honor, I'd object to any use of this for the reason this this was handed to us, I think, at

the -- at 2:30, right before we came back. It's not in accordance with any of the court's designation rules. It

was just handed to me when I walked in after lunch this afternoon.

MR. CIRESI: It's a one-paragraph -- it's a one-paragraph document which I want to use to refresh her

recollection. They have done that in the past if it's one or two documents. I just want to use it to refresh her

recollection.

THE COURT: You won't be allowed to introduce it.

MR. CIRESI: All right.

By MR. CIRESI:

Q. Do you know if in February of 1987 the president was looking at the Camel campaign?

A. I don't know. I wasn't on Camel in February of 1987. I came in June.

Q. So it would be fair to state, then, that you don't know what was going on with the campaign in February,

March, April, May, until you came on in June; correct?

A. Right. When I came on in June, I was given a review of the advertising campaigns that they had been

developing and looked at, so I know what campaigns were being developed, and the French Camel

campaign was not one of them.

Q. Well in August of 1987, Camel's 75th birthday plan was memorialized; was it not?

A. I don't know what you mean by "memorialized."

Q. It was set forth in memoranda.

A. Yeah. I set forth -- The people who worked for me, we set forth the guidelines for developing the 75th

birthday elements, that's right.

Q. Now do you have tab 23 in your book, ma'am?

A. You mean this book you gave me?

Q. No, the one that Mr. Weber gave you, tab 23.

A. Okay.

Q. It's the document you looked at this morning --

A. Yes.

Q. -- dated August 25th, 1987.

A. Right.

Q. And that's Camel's 75th birthday plan.

A. That's correct.

Q. Okay. And this is to J. J. Cohn; correct?

A. Uh-huh.

Q. And it's from Y. M. Jones; correct?

A. Yeah. Yasmin Jones.

Q. And it's L. J. -- copies to L. J. Breininger?

A. That would be Breininger. That was my maiden name.

Q. That's your maiden name.

A. Yes.

Q. Okay.

A. That's me.

Q. That's what I wanted to know. So that's you; correct?

A. That's me --

Q. And C. A. Wilkins.

A. -- before I got married. Cynthia Williams, she worked for me.

Q. And J. R. Conrad; correct?  
A. He was -- uh-huh.  
Q. Okay. And this is the document you discussed with Mr. Weber this morning; correct?  
A. Yes, it is.  
Q. Now in December of 1987, there was another document that pertains to the Joe Camel campaign; correct?  
A. I don't know what document you're referring to.  
Q. Can you direct your attention to Exhibit 12951.  
A. Yes.  
Q. This is dated December 4th, 1987; correct?  
A. Yes.  
Q. And this is to Mr. E. J. Fackelman; correct?  
\*36 A. Yes, Ernie.  
Q. And from Ms. Creighton, or is that Mr. Creighton?  
A. No, that's Fran.  
Q. Okay. And Mr. Penick; correct?  
A. Phil, uh-huh.  
Q. And you're not copied on this one; are you?  
A. No. This was all -- These are all marketing research people. This was an internal memo in the marketing research department.  
Q. All right. So this was not a memo that you received; correct?  
A. No. It was internal in the marketing research -- These are all marketing research people.  
Q. And here we're talking, again, about the type of user and product image communication; correct?  
A. Yes.  
MR. WEBER: Your Honor, if I could just raise a question, my chart doesn't show this in evidence yet.  
MR. CIRESI: That's correct.  
MR. WEBER: Okay.  
By MR. CIRESI:  
Q. Have you seen this before, ma'am?  
A. I don't recall.  
MR. CIRESI: Your Honor, we would offer Exhibit 12951.  
MR. WEBER: No objection, Your Honor.  
THE COURT: Court will receive 12951.  
By MR. CIRESI:  
Q. Do you know if you looked at it because we designated it?  
A. I may have. It just was a lot of documents; I can't remember them all.  
Q. Okay. If you take a look at the first page, you see it says "User and Product Image Communication?"  
A. Yes.  
Q. And it says "RESULTS FROM CAMEL 75TH BIRTHDAY ADVERTISING COMMUNICATIONS TEST;" correct? Do you see that?  
A. Oh, the title, uh-huh.  
Q. And in that first introductory paragraph it says, "The test methodology used to assess this advertising was very similar to previous communications testing for CAMEL such that results can be compared to 1986 test results for the " 'Posters' campaign as a benchmark."  
A. Yes.  
Q. Correct?  
A. Uh-huh.  
Q. Now the posters campaign was the campaign to use the French Camel; wasn't it?  
A. No.  
Q. It wasn't?  
A. That is correct, no.  
Q. Do you know if the results from the French Camel back in 1986 were compared with tests that were done in 1987?  
A. No. For the 75th birthday campaign?

Q. Yes.

A. No.

Q. All right.

A. This was a poster -- this was not a French -- Posters was not a French Camel campaign.

Q. Now if we go down there to "User and Product Image Communication," do you see that?

A. "User and Product Image Communication," yes.

Q. Yes. And there it's talking about the type of user profile; correct?

A. User profile. In the sentence? Yes.

Q. Okay. And again, independence, individualism, acceptance by the peer group, do you see that?

A. Are you going through this list of things here, independent, makes his own decisions, stands up for beliefs?

Q. No. I'm in the bullet point.

A. Oh. The sentence.

Q. Combines the desired characteristics of independence, individualism.

A. Oh, yes. Right.

Q. Okay. Now those are the same type of traits that we saw in the previous memos; correct, ma'am?

A. What previous memos are you referring to?

Q. The ones we just looked at about five minutes ago. Do you want me to go back to them?

\*37 A. Are you talking -- Well if you just tell me which ones you're talking about.

Q. Well when we were talking about Exhibit 12761, the Caufield memo.

A. 12761. 127--

Q. Do you remember the non-conformist, the peers.

A. This said the non-conformist, I do remember that, non-conformist and self-confident. This says

independence, individualism, relatability. You know, they're really not -- they're not the same words.

Q. You don't think they're the same?

A. I mean -- No. Independence and individualism is not quite the same thing as non-conformist.

Q. Okay. And it says the target smokers rated the 75th birthday advertising as above average for both individualism and peer group acceptance; correct?

A. Yes.

Q. And peer group acceptance was referenced in the previous memos. Do you remember that?

A. Oh, yes, uh-huh.

Q. And again here you have then the attributes, both under individualism and peer group acceptance; correct?

A. Yes. Attributes listed, yes.

Q. And on the next page we find that the 75th birthday advertising generated a strong - very strong and positive emotional response to 18- to 34- year-old male target smokers; correct?

A. Yes.

Q. Now when you asked these people, the 18-year-olds, was there a sheet that they filled out when you asked them questions?

A. Well it depends upon the kind of research we're doing. If we're doing focus groups, then we're talking to people. So they aren't writing down their answers, we're listening to them. If it's a quantitative survey, then there are questions, and they fill in the answers to those questions.

Q. Do you have anyplace the survey or quantitative survey or responses that these 18-year-olds gave you?

A. Well we don't break out 18-year-olds. We break out 18 to 24 and we break out 25 to 34.

Q. Is your answer then no, you do not?

A. Well we have the 18-year-old responses, they're part of the 18- to 24- year-old responses.

Q. But is there anyplace we could go and see these are the 18-year-old responses?

A. Well we don't break out 18-year-olds only.

Q. Okay. So one couldn't ascertain, if they looked at any of your documents, what the 18-year-olds said; is that -- is that right?

A. We don't break them out separately.

Q. And in the empathy section of this document, it's reported that the target smoker rated the advertising as extremely friendly, as affectionate and as advertising I can relate to; correct?

A. Yes.

Q. And if we go over to the next page, we see overall conclusions and implications. See that, ma'am?

A. Yes.

Q. Okay. "CAMEL'S 75th birthday advertising meets and, in most cases, exceeds the objectives set for this campaign. The "French CAMEL" logo provides a highly original and very eye-catching format for the 75th birthday celebration which appeals strongly to target smokers. The strong and positive emotional response to the "French CAMEL" offers an opportunity for CAMEL to be more relevant to target smokers." Correct?

\*38 A. Yes, that's what it says.

Q. All right. And this Camel came from the French Camel that was originally used; correct?

A. It came from that poster that was originally used. We changed it. That was the starting point, but we obviously changed it.

Q. Right. But the genesis of it was the French Camel; correct?

A. Right. When I created the idea, I took that French Camel poster and gave it to each of the agencies and asked them to create a 75th birthday campaign around it.

Q. Now is this the first campaign that you had been in charge of as a brand manager?

A. No.

Q. It was the first one that you used a cartoon for?

A. It's the first one that we used the Joe -- obviously, you know, Joe Camel is the only one we used Joe Camel for, Camel brand.

Q. Now is there any document that you have your name on that gives your analysis of the use of this cartoon?

A. I don't --

Q. Do you have any document?

A. I don't know what -- I don't know what you mean by the "analysis of use" of it. What do you mean?

Q. Well is there any document that has your name on it as an author that gives an analysis of the use of the cartoon, the Joe Camel cartoon for the 75th birthday campaign?

A. I don't know what you mean by "analysis of use."

Q. Well that it would be good, that you are suggesting it, that you --

A. Oh, sure. I did --

Q. That you think -- that you think it's good for this reason or that reason. Is there any such document?

A. Well probably. I mean I haven't gone through all the old documents.

Q. All right.

A. But I mean we did presentations and --

Q. But we haven't seen one document here where you state the reasons that you believe the Joe Camel, which comes from the French Camel, should be used; have we? We haven't seen a document.

A. I did presentations on it. I mean I didn't --

Q. That's not what I asked you, ma'am. Do you have a document --

A. No, I didn't --

Q. -- that states your reasons why the French Camel should be used?

A. I'm sure there are. I don't have any with me.

Q. Can you point us to any that you can recall? Any?

A. Well sure. I did management presentations recommending it.

Q. So you did a management presentation recommending the use of the French Camel?

A. Not the French Camel, the 75th birthday campaign.

Q. I know it's the 75th birthday campaign, but it utilized as the genesis the French Camel. Is there a document that sets forth your reasons why that should be used? That's -- that's all I want to know.

A. What do you mean, start with the poster or -- you mean the 75th birthday? I'm confused. Obviously I did presentations recommending the 75th birthday campaign.

Q. I understand that.

A. Okay.

Q. And did you state in that presentation I think we should use the French Camel, changed in some way for these reasons? Did you give your rationale in any way?

A. Sure. Of course.

Q. You did. Okay. Is there such a document?

\*39 A. Well I'm -- I mean I'm sure there is.

Q. But you didn't use it here today in your testimony.

A. No. I mean I'm here. I did it.

Q. Well I understand that. I'm just wondering if there is such a document. That's all.

A. I -- I did presentations.

Q. Now the many Camel campaign, as you said, was successful in increasing your market share among 18- to 24-year-olds between 1988 and 1994 from three to 10 percent?

A. 1987 to 1994, 18 to 24, three to 10; 25 to 34, three to five; and 35 to 49, two to three.

Q. Do you know what the increase of Camel's market share was for children under the age of 18 between 1988 and 1994?

A. Well obviously we don't do research, but according to government studies, the government, federal government, did a study where in 1989 Camel's share was 8.1, and then in 1993 it was 13.3, and --

Q. All right.

A. -- then the -- I'm sorry, I'm not finished yet.

Q. Beg your pardon?

A. I'm talking about the government studies. And then he --

Q. Up to 1994.

A. Right. I'm only talking about up to 1994. And then there wasn't a national government study done after that point, but there was the California Tobacco Survey that California --

Q. Excuse me. All I want to know is in the period --

A. That's what I'm talking about.

Q. -- 1988 to 1994 --

A. Yes. I understand --

Q. -- and anything that was published in that time.

A. Right. That's -- that's what I'm speaking to.

Q. Okay.

A. And then the California Tobacco Survey showed --

Q. When was that published, ma'am?

A. I'm talking about share results '93 to '94.

Q. When was it published?

A. I -- I don't know.

Q. Okay. Well then unless you have the document, we don't want to know about that. I want to know what was published between '88 and '93. Okay?

MR. WEBER: Objection, Your Honor, he asked her about share between -- up to 1994, and she was going to answer based on what she knew. It isn't an issue of when it was published, it's shares in '94.

THE COURT: I think the question related to what was published, counsel.

By MR. CIRESI:

Q. Now --

THE COURT: However --

MR. CIRESI: I'm just about done, Your Honor.

THE COURT: Okay.

By MR. CIRESI:

Q. So that the market share as you know, based on a government survey, went up five percentage points between 1988 and 1993, according to a federal document; is that right?

A. According to a federal government study.

Q. Now were those first-time smokers?

A. I don't know what -- What are you saying? Is this the first time ever they tried a cigarette?

Q. First-time smokers under the age of 18.

A. It was -- I -- I think -- You know, I can't remember their exact definition, but I think it was -- I think smokers who have had at least one cigarette in the last 30 days. But I'm not sure what definition the government used.

Q. So you don't know. All you know is that there was a five- percent share increase during that period of time; correct?

\*40 A. Right.

Q. All right. Now as -- And as far as I understand your testimony, Ms. Beasley, and correct me if I'm wrong, you are not aware of anything that RJR did prior to embarking upon the Joe Camel campaign to ascertain whether that campaign would appeal to children under the age of 18 or teenagers under the age of 18. You did nothing.

A. That isn't true. Again, what I explained earlier was we don't do research among anyone under 18.

However, we did ask those 18 to 24 if the ads appealed to people their age, people older than them, or people younger than them, and if they said the ads appealed to people younger than them, we eliminated them.

Q. Okay. The Joe Camel campaign that you used for the 75th birthday, other than that, did you do anything to ascertain what appealability that campaign would have to individuals under the age of 18?

A. No. We have a very firm policy, we do not do any research among those under 18.

Q. So you would have no idea, based on doing any type of investigation, whether it would appeal or not appeal to that segment; correct?

MR. WEBER: Asked and answered, Your Honor.

THE COURT: I think it's been asked and answered.

Q. Would you agree, ma'am, that when you put a product into the marketplace, into the environment of use, a product that's reported to kill over 400,000 people a year, that you should ascertain whether the marketing campaign that you're going to utilize would appeal to the youth of America? Do you think you have a responsibility to do that?

A. No. I think that if advertising caused children to start smoking, which it doesn't, then that would be different. But advertising affects brand choice, and that's been well documented. And we only do research among adult smokers, we develop the campaigns among adult smokers, and we screen ads for appeal among adult smokers.

Q. Can you turn to Exhibit AT000507. The very last exhibit in the book.

A. One eight -- is that what you said?

Q. AT.  
A. Oh, AT. AT.  
Q. It's a defense exhibit. Do you have it?  
A. Yes, I do.  
Q. Federal Register dated December 1st, 1995. Do you see it?  
A. Yes.  
Q. And do you see the perceptions of advertising?  
A. I'm not sure -- Oh, number two down at the bottom of the first page, is that what you're talking about?  
Q. Yes.  
A. Where it says "Perceptions of Cigarette Advertising?"  
Q. Correct.  
A. Yes.  
Q. And it's a government document. You've seen this; have you not?  
A. Yes.  
Q. And it was a survey that was done by Macro International among a number of focus groups, including Minneapolis; correct?  
A. Yeah. I don't know about Minneapolis. I didn't check that.  
Q. Well if you turn to the second page, you'll see Minneapolis is there on the right-hand column.  
A. Oh, yes. There it is.  
Q. All right.  
A. Uh-huh.  
Q. Now if you go back to the first page of the exhibit.  
A. Yes.  
Q. Now you understand this was among adolescents; correct?  
\*41 A. Right.  
Q. "All of the groups expressed familiarity with the cigarette advertisements shown to them, and many were aware of incentive programs sponsored by major cigarette manufacturers, whereby cigarette smokers could receive clothing items or other products by cashing in 'Camel dollars' or 'Marlboro miles' for products from a catalog. The focus groups said that they felt the primary target of cigarette ads were teens and young adults, and that the ads show people having a good time so that kids will think that their lives will improve if they smoke." Do you see that?  
A. Yes. And they also said they didn't think advertising was why they started smoking.  
MR. CIRESI: Excuse me. Move to strike the non-responsive portion.  
THE COURT: It is non-responsive.  
Q. And do you also note that in this they found out that the kids, the teens said that they were addicted to smoking and it was clear to them that smoking was not a matter of a choice but a matter of need?  
A. I don't remember that one.  
Q. If you look on the previous page, you'll see it. Page one.  
A. Yes.  
Q. "The teens who said they were addicted to smoking made it clear that for them smoking was no longer a matter of choice, but a matter of need." Do you see that?  
A. Yes, for the teens who said they were addicted to smoking.  
Q. Yes.  
A. Uh-huh.  
Q. And do you know how many of them said they were addicted, ma'am?  
A. No.  
MR. CIRESI: Thank you. I have no further questions.  
MR. WEBER: Can I ask -- could I just -- I just have one question on redirect, if I could, Your Honor.  
THE COURT: All right. Go ahead. This isn't a Bernick number now; is it, counsel?  
(Laughter.)  
By MR. WEBER:



Q. Mrs. Beasley, would you keep that last document there that you had, that AT-numbered exhibit.

A. Oh, yes. Okay.

Q. I think that was in the plaintiffs' notebook. They were just --

A. Yes.

MR. WEBER: And Ms. Kessler, what page is that that I just referred you to? MS. KESSLER: 61674.

Q. Could you turn to page 61674.

A. Yes.

Q. Could you read number three of the FDA findings from the focus groups. It's the upper left-hand corner.

A. Yes. From the beginning or at this section?

Q. Right at number three that's being displayed.

A. Okay. "The one" --

Q. No, no.

A. Oh.

Q. It says "Most of...."

A. "Most of...."

Q. Number three, upper left-hand column.

A. Upper left. I'm sorry. Oh, yes, now I'm there. Sorry.

Q. That's okay. Could you read that?

A. It says, "Most of the participants indicated that they did not believe that they were influenced by cigarette advertisements. "I mean, it has nothing to do with the ads. They don't keep me from it, nor they don't make me do it. "If" -- continue reading?

Q. Yes.

A. "If you're just flipping through a magazine and you see it, you might stop and you might see something you like about it, and then flip on through. You don't really think of smoking or not smoking."

\*42 MR. WEBER: Okay. I have no further questions. That was a Weber one question, Your Honor.

THE COURT: Okay. We'll let you get away with that. You can step down.

THE WITNESS: Okay.

(Witness excused.)

THE COURT: Court will recess until 9:30 tomorrow morning.

THE CLERK: Court stands in recess until 9:30 tomorrow morning.

(Recess taken.)